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ABSTRACT

This report examines the human resources development and training dimensions of the gradual, but inexorable, shift towards knowledge-, skill-, and service-based economies and societies, and the stupendous growth of the information and communications technology sectors. Its four chapters explore the following: (1) globalization, technological change, and new organizations, including the development of new skills and competencies; (2) training for improved competitiveness, employability, and shared prosperity; (3) youth employment and training; and (4) training policy and system change, including governance, dialogue, and new partnerships. The report offers the following four conclusions: (1) all countries will feel the impact of these changes; (2) older, more mature economies with skilled workers may resist change and suffer from a mismatch between skills and needs, and so need to stress education and training and make them more widely available in order to maintain employability and productivity over a lifetime; (3) in developing countries, more workers need to be educated so that they are not forced into unemployment, and young workers are most likely to benefit from training programs undertaken in a well-established institutional context; and (4) in all countries, major structural reforms are needed to adapt training continuously to the changing nature and dynamics of labor markets and to improve access to training for everybody throughout life. The report raises points for discussion of the role of human resources development in all types of economies. (KC)

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ED 442 924

International Labour Conference
88th Session 2000

Report V

Training for employment: Social inclusion, productivity and youth employment

Human resources training and development: Vocational guidance and vocational training

Fifth item on the agenda

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INTRODUCTION

THE OBJECTIVES OF HUMAN RESOURCES DEVELOPMENT AND TRAINING

Human resources development (HRD) and training play a major, if not decisive, role in promoting economic growth with equity; they benefit individuals, enterprises, and the economy and society at large; and they can make labour markets function better.

> *Human resources development and training* are understood in this report to be activities of education, initial training, continuous training, and lifelong learning that develop and maintain individuals' employability and productivity over a lifetime.

Human resources development and training benefit individual men and women by developing and maintaining their employability and adaptability in labour markets that change continuously under the influence of globalization, technological change and new ways of organizing work. While education and initial training provide the foundation of individuals' employability, continuous training and lifelong learning give them the means to maintain it over their working lives. Human resources development and training improves their prospects of finding and retaining a job; improves their productivity at work, their income-earning capacity and their living standards; and widens their career choices and opportunities. By developing workers' capabilities to pursue collective and individual interests, education and training foster an environment that is conducive to economic and political democracy. They are also tools for developing the new social skills, competencies and attitudes, and tolerance and solidarity that are needed for economic, social and political participation in an increasingly integrated and mobile world. These skills include foreign language skills and the ability to understand and communicate with people of different cultures and creeds. Finally, education and training are indispensable for individuals to live in a knowledge, communications and technological society.

Enterprises also reap benefits from education and training as they improve workers' productivity and company profits. It is by deploying well-educated and trained workers that enterprises can improve the quality of their products and services and gain a competitive edge in global markets.

The economy and society at large, like individuals and enterprises, benefit from human resources development and training. The economy becomes more productive, innovative and competitive through better use of human potential. Training can help remove skill mismatches by sector, region and occupation. In the industrial and rapidly industrializing countries, major investment in education and training has generated significant productivity gains, rapid economic growth and social progress.

Promoting social justice and equality of treatment in employment is another major objective of human resources development and training. Education and training have an important role to play in promoting labour market integration and the social inclusion of population groups that face discrimination – for example, women, young people, older workers and disadvantaged groups such as people with disabilities, ethnic minorities and migrants.

Human resources development and training can thus contribute significantly to promoting the interests of individuals, enterprises, and economy and society. However, education and training cannot by themselves solve the problems of unemployment and underemployment, and poverty and social exclusion. In order to be effective, they must constitute an integral element of economic and social policies, including macroeconomic policies, that promote employment-intensive and equitable economic growth and social progress.

THE GENERAL DISCUSSION

While these objectives of human resources development and training have not changed significantly over the years (although the vocabulary used is somewhat different, viz. the concept of employability), the context – the shift to liberal, market-based economies, the upward skill bias of technological change, new ways of organizing work, and the growing incidence of unemployment, poverty and social exclusion – has recently changed fundamentally.

The major ILO instruments in the area of human resources development and training are the Human Resources Development Convention (No. 142) and Recommendation (No. 150) of 1975. They tend to cover all the aspects of vocational training and guidance at various levels and have replaced the Vocational Training Recommendation, 1962 (No. 117), which itself replaced a series of specific standards developed since 1939, particularly the Vocational Training Recommendation, 1939 (No. 57), the Apprenticeship Recommendation, 1939 (No. 60), and the Vocational Training (Adults) Recommendation , 1950 (No. 88).

Many other instruments recognize the contribution of training and guidance to the pursuit of employment, working conditions and equitable treatment and some are closely related, including: the Paid Educational Leave Convention, 1974 (No. 140), and Recommendation (No. 148); the Vocational Rehabilitation (Disabled) Recommendation, 1955 (No. 99), and the Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159), and Recommendation (No. 168); the Minimum Age Convention, 1973 (No. 138); the Discrimination (Employment and Occupation) Convention, 1958 (No. 111) and Recommendation (No. 111); the Employment Policy Convention, 1964 (No. 122); and the Equal Remuneration Convention, 1951 (No. 100), and Recommendation (No. 90).

Adopted in 1975, Convention No. 142 and Recommendation No. 150 mirror the prevailing economic and social conditions of that period. Then, most countries pursued planned economic, social and industrialization policies, information technology was still in its infancy, work organization in enterprises was largely based on Taylorist principles, and the labour force was employed in secure wage jobs. While Convention No. 142, which is rather general, can still be regarded as valid, Recommendation No. 150 is clearly outdated.

Recommendation No. 150 reflects the planning paradigm of that period, while giving little room for demand and labour market considerations; it provides little or no guidance on many issues that nowadays are central to training policy and system reforms being undertaken by member States. These issues comprise the policy, governance and regulatory framework of training; the role of stakeholders other than the State (e.g. the private sector, the social partners and civil society) in policy formulation and training provision; the scope and mechanisms for diversifying and tapping alternative sources of financing training; devising appropriate mechanisms and methods to target training programmes at particular groups; the shift away from training for "qualifications" towards the development and recognition of "competencies" that comprise a wide range of work-related knowledge, technical and behavioural skills, and attitudes; and the increasing need to focus skill development activities on preparing workers for self-employment and the informal sector.

For these reasons, the ILO Governing Body decided at its March 1998 session that human resources development and training should be the subject of a general discussion at the International Labour Conference in 2000. The present report is therefore intended to stimulate a discussion on:

— the new context of human resources development and training and the new demand for skills and competencies in an increasingly integrated world economy and the knowledge and skills society (Chapter I);

— the rationale of human resources development and training for improved competitiveness, employability and equity in employment, and the respective roles of basic education, initial training, and continuous training in promoting and maintaining employability (Chapter II);

— the specific issue of youth employment and training (Chapter III) – an issue which the ILO's Governing Body decided at its March 1999 session should be part of the present general discussion; and

— the HRD and training challenge in today's world: new policies and institutional frameworks and new roles for the partners in training (Chapter IV).

At the end of the report a set of points for discussion are suggested. Ultimately, the Conference Committee on the subject will be expected to advise the Office on whether a new Human Resources Development Recommendation should be submitted for adoption at a subsequent session of the Conference.

CHAPTER I

GLOBALIZATION, TECHNOLOGICAL CHANGE AND NEW ORGANIZATION: THE DEVELOPMENT OF NEW SKILLS AND COMPETENCIES

Introduction

This chapter examines the gradual shift in the world towards knowledge- and skills-based economies and societies. The basic tenet of the report is that workers' knowledge and skills, and education and training, today take centre stage in countries' efforts to meet the twin challenge of globalization with a human face: to improve their capacity to compete in the world markets for goods and services, and to promote the access of all citizens to decent employment and economic and social life. The implications of these trends for different countries, sectors and people vary. Countries that have long invested in education and skills development have so far been able to adapt and reap the benefits of the changing global order. Others, particularly in the developing world where access to, and the level of, education and training are inadequate, have serious difficulties participating in the opening up of the world economy and enjoying the full benefit of their efforts to rehabilitate their economies. The report takes the view that education and training, provided they are supported by a favourable national and international economic environment, can help countries, enterprises and individuals benefit from globalization and overcome its constraints, create more and better jobs, and improve incomes and living conditions.

The gradual shift towards a knowledge- and skills-based society

Major forces driving changes in the world of work include globalization, rapid advances in information and communications technology, changes in financial markets, new business strategies, new management practices and new forms of work organization. These interrelated and mutually reinforcing forces augur an economy and society where the production of goods and services relies increasingly on human knowledge and skills.

The world's economies have grown increasingly interdependent in recent decades, but this process of globalization is not evenly spread over the various economic activities and sectors. The industrial and tradable goods sector and the services sector are particularly exposed to international market forces.[1] The pressure of competition in the services sector is accentuated by the advent of new information and communications technologies and the process of liberalization.[2] The rapid rise of Internet-based

[1] Robert Reich: *The work of nations: Preparing ourselves for 21st century capitalism* (New York, Alfred A. Knopf, 1992).

[2] Ray Marshall and Marc Tucker: *Thinking for a living: Work skills and the future of the American economy* (New York, Basic Books, 1992).

shopping (e-commerce) and other services available on the World Wide Web reinforces this trend. Growing international competition from lower-cost, more effective competitors is forcing domestic firms to adopt more efficient technologies and modes of production. Foreign competitors are increasingly producing goods and operating services directly in the countries in which they are investing.

This global exposure brings with it an opportunity to learn from competitors and to improve the organization of work, provided that the workforce is adequately educated and trained. Successful practices that have been developed in one economy spread to others, not only within multinational companies but also from company to company. A growing number of firms use outsourcing and information technologies to increase the ability of their supply-chain enterprises to bolster their own competitiveness, so as to meet new expectations in terms of productivity quality, flexibility and just-in-time delivery on a global scale.

Informal sector enterprises and entrepreneurs may also require new skills as they become exposed to competition. By improving productivity and product quality, mutually supportive links can be established between informal sector activities and the modern sector.

The implications of this global competition, and of the new technologies and organization of work that it calls into play in terms of the functioning of labour markets and the demand for skills and competencies, is discussed below.

Technological change

The rate of technological advance has accelerated at an unprecedented pace in recent decades, as has the process by which technology is transferred from firm to firm and across sectors and economies. Many of the advances that have had a major impact on labour markets and work have been in the fields of computerization, information technology, telecommunications and space research (global positioning technology, meteorology, energy, biotechnology, etc.).

By setting new quality criteria for products and services, globalization largely imposes the use of technology. In turn, the impact of technological change on the demand for skills (and hence on employment) depends on whether it is accompanied by corresponding changes in work organization or the adoption of new business practices. Thus it can be said that the productive potential of technology is determined as much by the availability and quality of training, as by the skills it imparts, as skill requirements are determined by the use of technology. Accordingly, the development of skills through training should be the strategic response to technological change, globalization and other forces affecting labour markets.

Analysts have stressed the upward skill bias of the new generation of technology, especially information and communications technologies and certain manufacturing processes, and its likely effect on productivity and on the demand for workers with higher-level skills and broader workplace competencies, who can command higher wages.

The introduction of new technologies has reduced the demand for unskilled labour and raised the value of advanced skills and competencies in the industrialized economies. In the services sector technological change has created new categories of high-skilled occupations in health care, information processing, and finance and business services; in the goods-producing sector too, the emphasis is now less on

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physical strength and adherence to routine and more on workers' behaviour, flexibility and initiative. This has opened up new opportunities for those in a position to seize them.

In a few developed countries and in most developing countries low-skilled occupations in sales and services have grown, reflecting a shift in economic activity towards services. In the developed countries the more technology-intensive service sectors (finance, insurance, real estate, business services, and to some extent transport, storage and communications) have generated a significant share of all new jobs over the last 15 years. Elsewhere, the jobs created in the services sector have been mostly labour-intensive, low-skilled, low-wage and non-standard. Among the low-skilled workforce, full-time jobs have been lost and non-standard work has grown, both for men and women, the latter having gained in terms of part-time work. Because of the increasingly skill-intensive nature of the formal sector, the informal sector has absorbed the bulk of the expansion of low-skilled service occupations in developing countries.

Manufacturing employment, which has seen its share of total employment fall, has become increasingly high-skilled in developed countries; in the OECD countries, for example, skilled manufacturing employment remained more or less constant from 1974 to 1994, while employment in unskilled manufacturing declined by 20 per cent. High-skilled manufacturing employment has grown sharply in the fast-growing East and South-East Asian economies, but somewhat more slowly in some Latin American and South Asian countries. These significantly higher levels of skilled employment in the manufacturing sector are attributable largely to the increasing intensity of capital formation in office and computer technologies and the need for blue-collar workers in that sector to be more educated; the substitution of machines for unskilled production workers; and the redefinition of much production work with the introduction of new technology and new forms of work organization that require more skill and knowledge. Countries are investing increasingly in human capital: in Germany, for example, the ratio between human capital and physical capital is estimated to have increased from 1:5 to 1:2.2 between the 1920s and 1989.

New work organization and human resources management

New systems of enterprise organization such as total quality management (TQM) may lead to reductions in employment at the management level, as they shift responsibility for quality assurance from managers to lower-level employees. Devolution of decision-making and the substitution of incentives and corporate culture for administrative controls also tend to squeeze managers out of the system. Hierarchies become flatter, and spans of control broader. Corporate operations become less divided along functional lines and more organized around broad product lines and markets, in order for the enterprise to be more flexible and more responsive to customer demands. Organizations tend to evolve along horizontal rather than vertical lines.

Work practices associated with increased employee involvement – such as the introduction of high-performance work organization involving devolved decision-making, and reliance on team-based systems – are perhaps the most important of the management practices affecting skill requirements. Self-managed teams in particular transfer management skills to front-line workers as they are exposed to the tasks other team members are performing.

Labour market implications: Employment, skills and competencies

Industrial restructuring, technological and workplace change, and enterprises' quest for quality have profound implications for labour markets worldwide. However, their effect on employment differs markedly between developed and developing economies. In the former, there has been a decline in permanent employment, rising job instability and insecurity, and rapid growth of various non-standard forms of work, including part-time and temporary employment. In the developing countries the dominant effect is on the nature of the informal sector and its growth.

Declining permanent employment, rising job instability and perceptions of insecurity

The pressure to sell off unrelated operations and to buy new ones as strategies change, to reduce costs, especially fixed costs, to shorten production runs and to make production more flexible all have a pervasive effect on employment, of which downsizing – permanent job reductions driven mostly by corporate restructuring – has received most attention. It is a process that differs significantly from the layoffs of earlier periods that were caused by recessions and were largely temporary. The job insecurity that has followed has often affected people in the traditionally most stable jobs in the "primary" sectors of the labour market, i.e. those offering stable, high-paying jobs with access to employee benefits and career advancement opportunities.

Continuing efforts to reshape the boundaries of firms through mergers, acquisitions and outsourcing have contributed further to job insecurity. If jobs are outsourced, it is possible that they might be as stable as those in the original companies, but in companies that are bought and sold restructuring takes place over an extended period and the employees face considerable disruption of their careers.

Although, overall, jobs would seem to have been as stable in the 1990s as in the 1980s, nevertheless there is widespread perception that employment is becoming less secure.[3] (Job instability differs from job insecurity in that it can result both from dismissals or layoff, which create insecurity, and from voluntary terminations, which do not.) People's sense of insecurity has much to do with how they assess the worth of their skills and competencies in relation to rapidly changing labour market needs, their access to training opportunities and their ability to upgrade them and have them recognized. Improvements in these areas are likely to reduce individuals' perception of insecurity.

Employee turnover is an important measure of the extent to which employment relationships have changed. Research in the United States suggests that job tenure overall has been quite stable over time but has declined modestly in the past ten years. Changes in job tenure may be more dramatic for particular groups, especially those that have not systematically upgraded their skills and general employability. During the 1980s, at least, turnover in the United States appears to have been increasingly attributable to dismissals, particularly of managers. In other countries, the topic is also gaining relevance as restructuring gathers pace.

There is some evidence that *occupational* attachment is increasing even as tenure with a given employer may be declining, and this raises the whole issue of investment

[3] OECD: *Implementing the OECD Jobs Strategy* (Paris, 1997).

in continuous training. Whereas employees may have greater interest in developing their occupational skills because they will be using them longer, employers may be less inclined to provide those skills or to finance their acquisition because the movement of employees from one firm to another implies that they are less likely to capture the return from their investments.

Non-standard forms of work

Another important labour market consequence of restructuring is the growth of non-standard forms of work, defined as part-time employment, temporary or contingent work, and self-employed individuals working as independent contractors. Enterprises face two basic pressures to expand non-standard work. The first is the pressure to shift labour from a fixed to a variable cost, particularly in countries where collective agreements increase the fixed costs of employment [4] or when the labour legislation does not cover non-standard forms of work. The second is to shift work away from high-cost internal labour markets to more competitive, lower-cost external labour markets. Such pressures make it all the more necessary to ensure that workers engaged in non-standard work (most of whom are women) have access to continuous training.

A third possible pressure favouring the adoption of non-standard work may be the introduction of a system of high-performance work organization, with its emphasis on flexibility, responsiveness and just-in-time production. One study in the United States in the mid-1990s suggested that reliance on temporary or contingent workers – comprising as much as half the production workforce of many of the enterprises interviewed – was the less attractive side of high-performance work organization.[5] Companies indicated that relying on such workers gave them the requisite flexibility for responding quickly and effectively to changing market conditions. This could reduce workers' access to continuous training unless emphasis is also placed on product and service *quality* in the competition for a share of the market.

Non-standard work has grown in many developed countries recently. In the United States it now accounts for roughly 30 per cent of employment. Temporary workers have nearly tripled since the early 1980s; although they make up only 2 to 4 per cent of total employment (depending on the definition), they may account for as much as 10 per cent of job growth in the 1990s. In Europe, too, part-time work has grown rapidly, especially in countries where it is one of the few ways for employers to avoid the high fixed cost of regular employment. In Japan, for similar reasons, part-time work now accounts for 25 per cent of all jobs. In developing countries, which have long relied on non-standard, informal sector work, the increase in non-standard work in the formal sector has been much less marked.

Workers engaged in temporary contract work – interspersed with periods of unemployment – are likely to see their skills and competencies deteriorate more rapidly than permanent employees, as they often have less access to in-service and continuous training. This affects women in particular, who are liable to become less

[4] Richard B. Freeman (ed.): *Working under different rules* (New York, Russell Sage Foundation, 1994).

[5] Christopher T. King et al.: *Engaging employers in school-to-work* (Austin, Center for the Study of Human Resources, University of Texas, 1996).

employable over time and risk social exclusion. Maintaining and renewing the skills of these workers is an important issue to be addressed. Some countries, particularly in the European Union, have integrated basic social rights, including the right to training, into labour codes that extend to workers on temporary contracts.

Reliance on the external labour market

Restructuring and the availability of qualified workers seeking better-paid jobs have also encouraged enterprises to recruit on the external labour market in order to procure new skills rapidly and meet increased competition. If the skills and competencies required are new to the enterprise, it may be difficult, costly or time-consuming to develop them internally and enterprises may prefer to look to subcontractors, joint ventures or outside hiring. Moreover, the cost of carrying employees with obsolete skills often encourages employers to sever the employment relationship altogether. This tends to favour younger workers, as they are more likely to be familiar with new technologies and to have the appropriate skills and competencies.

There are signs, in some sectors and companies and in tight labour markets, that the traditional relationship between employers and workers is weakening. On the one hand, many employers nowadays feel less responsible for their employees' job and income security and career planning. At the same time, employees who are highly employable often see their interests and goals as linked to a series of employers rather than to a single company.

A study of successful electronics firms in southern England, for example, found that they tended to manage their engineers more like short-term than long-term assets, hiring and laying off to rearrange their pool of competencies so as to keep them up to date. One of the main reasons for this pattern was that companies were frequently restructuring and developing new products and were using the labour market as a source of new skills and competencies.[6]

Some employers take a more strategic approach to their human resources management and training and promote the internal mobility of their most valuable workers through training. Enterprises that assume the *social responsibility* of investing in the general skills and employability training of workers, even though they may have to release them later in order to remain flexible and competitive, clearly reduce the risk of social conflict by facilitating their reintegration into the labour market.

The introduction of production teams of first-line workers sharply reduces the need for supervisors and managers, removing several rungs from the promotion ladder and limiting the opportunities on the internal labour market. In some sectors, such as the high technology industries of California's Silicon Valley, vertical integration has largely given way to networks of companies whose managerial and professional employees advance by moving *across*, rather than within, the organization. Although it is difficult to measure the extent to which outside hiring has increased around the world, it is revealing that the volume of business undertaken by international corporate recruiting companies tripled during the mid-1990s.[7]

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[6] G. Causer and C. Jones. "Responding to 'skill shortages': Recruitment and retention in a high technology labour market," in *Human Resource Management Journal*, Vol. 3, No. 3, 1993, pp. 202-221.

[7] Peter Cappelli, *The New Deal at work* (New York, Oxford University Press, 1999).

The implications of this are considerable, as new career paths have to be devised and supported through continuous training and each individual needs to be committed to the development of his or her career and competency. Labour market and training information and guidance therefore assume renewed importance in this respect.

A growing informal sector

Non-standard work has increased in many developing countries as informal sector employment has grown. While the labour force in these countries has grown fast, little of that growth has been in the formal sector. The reasons are many and include faltering economic and productivity growth and an unstable political and macroeconomic environment that is not conducive to investment. In Africa structural adjustment programmes have exacerbated the loss of formal sector jobs. Because the labour market is unable to absorb all the laid-off workers and new jobseekers, the informal sector has become the predominant source of employment. Formal sector wage employment accounted for only 9.1 per cent of the active labour force in the United Republic of Tanzania in 1995, 16.9 per cent in Kenya in 1994 and 25.3 per cent in Zimbabwe in 1995.[8] All over Africa (with the exception of Mauritius) and in many developing countries in other regions, the pattern is similar.

Unable to find work in the formal sector and equipped with skills and work attitudes that are ill adapted to informal sector work, school-leavers, graduates and laid-off workers often find themselves unemployed or seriously underemployed. Those who engage in informal sector work often find that the business, entrepreneurial and technical skills they require are different from those needed in wage jobs. This is one side of the skills mismatch that puts a break on job creation, productivity and income growth in the informal sector.

Formal and informal education and training can greatly enhance incomes and living conditions in the informal sector, when linked to other measures to improve productivity, safety, working conditions and product quality. How national education and training policies' programmes can effectively reach informal sector entrepreneurs and workers and encourage them to make the necessary investment in terms of time, effort and resources is one of the issues that needs to be discussed.

LABOUR MARKET IMPLICATIONS: WAGES AND EARNINGS

In open competitive economies, wages and earnings are increasingly determined by productivity and by the capacity to produce high-quality products and services. The increasing diffusion of new technology and work practices has created a demand for workers who possess higher skills and broader workplace competencies than before. In many OECD countries the wage differential between skilled and unskilled labour has increased since 1980; in some cases there has been a decline in the real earnings of the less skilled. For example, more than two-thirds of the increase in the United States labour force since 1994 has consisted of unskilled female household heads who have been drawn into the market by a combination of factors, including

[8] R. van der Hoeven and W. van der Geest: *Adjustment, employment and missing institutions in Africa: The experience in eastern and southern Africa* (Geneva, ILO, 1999).

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economic expansion, more attractive income tax provisions and subsidized child and medical care, as well as national and state reforms that have made reliance on welfare less attractive as an alternative to work.[9] This dramatic increase in the supply of low-skilled workers is putting downward pressure on their real earnings, even as policy-makers and the general public are expecting more from them in terms of self-reliance.

A few studies suggest that wage differentials between skilled and unskilled workers in the developing and transition countries have also widened. The *World Employment Report 1998-99* noted that high-tech investments by firms in China, Colombia, Mexico, and Taiwan, China, have also significantly increased the wage premium for skilled workers.

According to this report, "a combination of an increasing premium on education and an increasing premium on experience suggests that the employment situation of those with low educational qualifications or no experience in the labour market has worsened the most." [10] However, experience in Germany, where low-paid workers have improved their position and where the wages of the highest paid have not risen relative to other workers, suggests that wage behaviour is not simply a question of labour supply and demand. Institutions also matter, especially in wage bargaining. Because it is based on social partnerships, the German training system has been able to adapt to new technologies and work practices without new incentives being needed to bring about major changes in labour quality and supply.

Studies in the United States show that computer use raises wages and, implicitly, skill requirements. Elsewhere, wages (and, by implication, skill requirements) are found to rise with the use of other office equipment too. However, it would appear from those findings that it is not the equipment-specific skills that are driving these higher wages but that the employees concerned have some higher, unmeasured skills. Another explanation might be that workplaces where employees use such equipment are different in fundamental ways: for example, they may be based on decentralized work systems that require more from the employee, especially more autonomy. Other studies conclude that it is the more productive employees who are selected to use new technology; these workers acquire more skills as a result and are then also paid more.

Broader demand-side economic policies therefore have an important role to play. Programmes that raise workers' education, skill and competency are by themselves insufficient to redress rising wage inequality unless labour demand is maintained at sufficiently high levels over extended periods.

From the discussion in this chapter, a *dual* function for education and training emerges: a proactive, or developmental, function; and a "mitigating", or remedial, function.

The *proactive function* of education and training is to develop and harness the knowledge and abilities of individuals and enterprises – and the capacity of entire economies – so as to seize the opportunities that globalization and more open markets potentially offer. Human resources and skills are becoming the key competitive instrument in international markets for goods and services. Human resources training must therefore focus on developing those multiple skills and competencies that will help countries, enterprises and individual men and women seize the new opportunities.

[9] John Bishop: *Is welfare reform succeeding?*, Working Paper No. 98-15 (Ithaca, Cornell University Center for Advanced Human Resources Studies, Aug. 1998).

[10] International Labour Office: *World Employment Report 1998-99* (Geneva, 1998), p. 50.

Workers will need new, higher technical skills and competencies in order to be able to exploit the productive potential of advanced technologies, particularly information and communications. They will also need new behavioural, teamwork and social skills to help them adjust and retool rapidly; as markets, technology, work organization and opportunities change, knowledge and skills quickly become obsolete and have to be renewed on a continuous basis. A major challenge is therefore to expand opportunities of – and the necessary financing for – lifelong learning, so that they are accessible to *all* workers.

The poorer developing countries face the formidable task of overcoming the handicaps that have so far prevented them from seizing the new opportunities. Their first priority is to raise the basic education and skills levels of their populations. It is by drawing on those skills and competencies that they can exploit their respective comparative advantages and benefit from the opening up of world markets.

The *mitigating, or remedial, function* of education and training is to address the recent labour market trends outlined in this chapter. Many of these trends have been the unwelcome effect of globalization and related developments in many countries. Education and training are a major instrument, if not *the* instrument, for enhancing the employability, productivity and income-earning capacity of many disadvantaged people in the labour market, and so for promoting equity in employment outcomes. Human resources development and training can help to correct skills and knowledge mismatches of large segments of the labour force following major economic restructuring, particularly in the transition economies but also in many developing economies. In developing countries with a rapidly growing informal sector, education and training are indispensable for improving productivity and living conditions among the large sections of the population who earn a living there.

Many unemployed workers need new skills and competencies that enhance their chances of re-entering stable employment. Young people need broad, general, employable skills combined with training in specific skills and exposure to the world of work that will ease the transition from school to work. Women and other victims of discrimination need education and training to give them access to more and better jobs in the labour market and to overcome the syndromes of poverty and social exclusion. Workers in precarious and insecure jobs, and often intermittently unemployed, need to renew their rapidly deteriorating skills in order to improve their prospects of finding more stable jobs that also offer them a career.

Although addressing widely different needs, the proactive and social functions of education nevertheless have a point of convergence. They both point towards the emergence of *knowledge- and skills-based societies*, where education, skills and competencies largely determine the employment and career outcomes of individuals and their integration into social life, the competitiveness of enterprises, and ultimately the growth and well-being of nations. To enable everybody to participate fully in such societies, rethinking human resources development and training is critical.

CHAPTER II

TRAINING FOR IMPROVED COMPETITIVENESS, EMPLOYABILITY AND SHARED PROSPERITY

INTRODUCTION

The present chapter examines the underlying principles of human resources development for improved competitiveness and employability, and for more equitably shared prosperity. It examines the *paradigm shift* toward training that is responsive to economic demands and the social needs of individuals. And it raises the fundamental question of how *social responsibility* for training and human resources development should be shared between the State, enterprises and individuals.

THE SKILLS GAP: OVERVIEW OF MAJOR SHORTCOMINGS IN HRD AND SKILL FORMATION

The trends identified in Chapter I present formidable challenges for national and local governments, enterprises, education and training authorities, institutions and individuals, to which training policies and systems should adjust. Education and training systems in developed countries tend to be fragmented and inflexible because they have generally been built up over many decades. In developing countries technical education and training were traditionally regarded as inferior options for economic and social advancement compared with academic education. The systems that were established inherited much of the inertia characteristic of the systems in the developed countries, which made them unresponsive to the pervasive changes occurring in the economy.

While the forces of globalization and economic restructuring create a greater need to invest in workers' training, these same forces have led policy-makers and enterprises actually to reduce investment in HRD and training, in the belief that the taxes and social spending needed to finance these investments would threaten their country's competitive advantage and deter inward investments. There has been little international policy coordination to solve the problem.

The skills gap – the difference between the demand for skills and competencies and those available in the workforce – has been widening recently. The content, quality and coverage of education and training in many parts of the world are insufficient to help workers adapt to the changing world of work so as to maintain employability throughout their working lives. Workers often lack the literacy skills necessary to learn professional skills. In many developing countries widespread child labour prevents adequate schooling, and young people who drop out of school are ill-prepared for the labour market. With few exceptions, enterprise training generally excludes unskilled and semi-skilled workers, groups with special needs and workers with disabilities; and it is often limited to particular production processes and workplaces, reducing the

portability of skills in the labour market. In addition, skills and competencies gained through non-formal training and workplace experience are seldom recognized. Most labour market training is centred on younger members of the labour force; lifelong learning is still more a slogan than a reality. And labour market information and guidance and information about training opportunities are not widely available, particularly in developing countries.

Training systems historically have been largely public, and mostly prepared individuals for work in stable jobs in the wage-earning formal sectors. In developing countries they catered mainly to public sector demand. In developed countries training policies traditionally were second-chance programmes that placed participants mainly in poorly compensated jobs. Most of the training provided tended to be supply-driven initial training given to new labour market entrants. Often neglected were the growing need and demand for retraining and adjustment of skills and competencies of the existing workforce as technological and workplace changes took effect. In addition, training efforts were underfunded, poorly coordinated, and too focused on rigidly defined target populations, while less attention was given to the needs of people on the fringes of or outside formal labour markets, who constitute up to 80 per cent of the labour force in some countries.

Governments typically retain primary or sole responsibility for organizing, financing and providing education and training, particularly in developing countries and transition economies. However, governments tend to be poorly informed about the training needs of enterprises and workers; and they are ill-equipped to adjust training programmes and policies without input from the private sector. On the other hand, complete privatization of training has sometimes led to limited coverage and content of training, and poor portability of skills. Enterprises, particularly small and micro-enterprises, have limited capacity and are less willing to train and manage their human resources as they have short-term planning horizons and little knowledge about their skills requirements. In addition, they seldom provide generic skills training for fear of poaching by competitors, unless there are adequate cost-sharing arrangements. And firms generally provide no training at all for the growing numbers of casual and temporary employees. Hence, a new approach to skills development is beginning to emerge.

Promoting employability, productivity and social inclusion

Many countries have been attempting recently to reform their education and training systems to meet the new demand for skills and competencies. Policies are now being introduced to reform education and initial training programmes and to establish systems of continuous training and lifelong learning. In many cases governments are given a facilitating rather than a directive role, and individuals are expected to shoulder a greater share of the responsibility for planning and financing education and training throughout the course of their working lives. Incentives are given to enterprises as well to induce them to invest more in training and retraining of staff. Training markets are being opened to competition. And active labour market policies and social programmes, including large-scale training components, are being targeted at disadvantaged groups. These changes reflect movement towards a new training *paradigm*.

Training and employability

In this new paradigm, training objectives are multifaceted and composite. Education and training are the main instruments available to prepare individuals for a rapidly changing, increasingly demanding world of work, and to improve their *employability*. An individual's employability includes the ability to secure and retain employment and improve his or her productivity and income-earning prospects, compete effectively in the labour market and be occupationally mobile, "learning-to-learn" for new labour market and job opportunities, integrate fully into economic and social life, and generally work and live well in an advanced knowledge, communications and technological society. Individuals' *employability assets* comprise their knowledge, skills and attitudes on at least three levels:

— *baseline assets*, such as basic skills and essential personal attributes (for example, reliability and integrity);
— *intermediate assets*, such as occupation-specific skills (at all levels), generic or key skills (such as communication and problem-solving) and key personal attributes (such as motivation and initiative); and
— *high-level assets*, involving skills that help contribute to organizational performance (such as team-working and self-management).[1]

The complementarity of education and training can be illustrated as an *employability pyramid*, with a foundation of individuals' baseline assets and a peak consisting of high-level assets. For the purpose of the general discussion by the Conference, a useful definition of employability is the following: *an individual is employable when he or she is able to (i) secure a job; (ii) retain employment, progress at work and cope with change; (iii) secure another job if he or she wishes to change jobs or has been laid off; and (iv) move flexibly in and out of the labour force at different periods of the life cycle* (for women this is particularly important because of the need to take time off for childbearing and rearing).

The sum of an individual's knowledge, skills and attitudes is his or her *competence*. Competence is much more than the linear, sequential acquisition of a narrow set of job-related skills and the ability to carry out specific tasks in a single workplace. Today's world of work calls for individuals who are able to apply their knowledge in different contexts and under varying technological conditions, and to respond independently and creatively. Competence is a building block of knowledge, skills and attitudes that individuals acquire, starting as young children enrolled in basic education, moving on to initial training and work experience to prepare them for entry into the labour market as teenagers or young adults, and continuing to learn and train throughout their adult working lives. This is a markedly different course of events from that envisaged only a few decades ago, and applies to almost all workers, in developed and developing countries alike.[2]

Fostering individuals' employability through competency-building has important policy implications at the level of general or basic education, initial training, and lifelong learning. These are discussed in turn below. (The special issues and problems

[1] J. Hillage and E. Pollard: "Employability: Developing a framework for policy analysis", in *Labour Market Trends* (London) Feb. 1999.

[2] ILO: *World Employment Report 1998-99* (Geneva, 1998).

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facing youth and employment and training responses to them are discussed at length in Chapter III.)

General education

An individual's ability to find and retain a job has much to do with basic education; the less education individuals have, the more likely they are to be unemployed. General education should provide individuals with the minimum requirements (such as literacy and numeracy) to function productively in the workplace. It should also focus on *basic skills*, including the ability to identify, analyse and solve problems, the capacity to learn new skills in order to adapt to new work tasks, the ability to communicate with others and use information independently, planning skills, computer literacy and a grasp of simple scientific knowledge and technology.[3] Basic education should moreover convey to children at an early age social skills and an understanding of citizenship and the culture of work, as these skills help to understand both social rights and claims and social obligations and responsibilities. Many education systems have neglected this task.

Education should prepare young people for non-linear career paths and the likelihood of several career changes during their working lives. It should convey a positive image of enterprise and entrepreneurship, break down gender stereotypes and promote gender sensibility. And it should develop their capacity to improvise and be creative and, in general, equip them to deal with the complexities of a rapidly changing world.[4] Instilling these skills for the promotion of each individual's employability is, more than ever, a major task of basic education.

Basic education is largely universal in industrialized countries, although the quality is not always uniform even within a country. Many developing countries, however, face challenges in providing all school-age children with the core skills identified in the national curriculum; many girls and children in rural areas in particular are unable to attend school, while others drop out of school before mastering the essential basic skills. In 1997 the enrolment rate in primary education was 56 per cent in sub-Saharan Africa and South Asia, 65 per cent in Latin America and the Caribbean, and 71 per cent in East Asia, compared with 96 per cent and higher in the industrialized countries. The funding impact of structural adjustment programmes in many African countries has further negatively affected educational enrolment and quality.[5]

There is a broad consensus that the strengthening of general education, in particular at the primary and secondary levels, should be a priority in public policies to improve the productivity and flexibility of the workforce. Lack of basic education lies at the root of labour market segmentation, child labour and the vicious circle of social exclusion. World Bank research has shown that in some countries workers who have completed secondary school have a 50 per cent greater chance of receiving on-the-job

[3] These have been labelled "SCANS skills" in the United States, from a set of workplace skills and competencies identified in the early 1990s by the Secretary Commission on Achieving Necessary Skills of the Secretary of Labor.

[4] UNESCO: "Education and globalization", in *IIEP Newsletter*, Apr.-June 1998.

[5] R. van der Hoeven: *Into the 21st century: Assessing social and political concerns*, Paper prepared for the UNU Conference: On the threshold: The United Nations and Global Governance in the New Millennium, Tokyo, 19-21 Jan. 1999.

training than those with a primary education alone.[6] The World Bank also suggests that training in specific skills is more effective when trainees are already literate and numerate and have problem-solving skills that they can build upon.

Primary and secondary education systems should support the development of a flexible workforce, adopting a more active "learning-to-learn" approach, and working in teams. A greater effort should be made to expose students to the world of work, as is the case in Australia, Germany, the United Kingdom and the United States. Higher general education must become more flexible, responsive and timely as labour markets change, providing open-entry/open-exit courses, certificates and diplomas and distance-learning possibilities and working directly with employers and industry associations in customized training programmes.

National and international public investment should ensure a minimum level of quality and universal access to basic education, particularly in rural areas and for women and other disadvantaged groups. In 1990 the Jomtien Conference in Thailand developed a plan to increase learning and educational quality in schools and to attain universal primary education before the year 2000. In 1995 the Social Summit of Copenhagen pushed the date back to 2015 but affirmed that this global objective should be financed on a sustained and predictable basis. Primary responsibility for investment in basic education will remain with the public sector in the future, but local communities should be involved so as to ensure that it is supported by them, that it meets local needs and that it is accessible to all.

New channels for providing basic education may include programmes sponsored by the private sector and non-governmental organizations (NGOs), some of which could take advantage of distance-learning and Internet-based mechanisms which hold out considerable promise for populations that are most in need. Moreover, by supporting agriculture as a productive enterprise, education can encourage people to remain in rural areas and help them to earn adequate incomes.

VOCATIONAL EDUCATION AND INITIAL TRAINING

Vocational education and training (VET) is at the centre of ongoing reforms in many countries. A consensus is crystallizing regarding its new rationale and aims, although the means of attaining them vary considerably among countries.

The primary purpose of VET is to instil knowledge of science and technology within a broad occupational area and to develop the requisite technical and professional competencies and specific occupational skills. VET policies, programmes and administrative structures vary widely in countries at different stages of economic development. A critical issue for VET is the emphasis placed upon general academic education and the development of portable skills on the one hand, and on occupationally-oriented training on the other, in order to facilitate the smooth transition from school to work and enhance people's basic employability.

At some intermediate age between 11 and 15, students tend to be channelled into one of two or three distinct *streams* that emphasize academic, vocational and general skills. The academic stream usually prepares for tertiary education and entry to

[6] World Bank: *Vocational and technical education and training*, World Bank Policy Paper (Washington, DC, 1991).

university and has relatively little job-related content, given the pressure to meet the competitive entry requirements of higher education. The vocational stream includes a wide range of programmes with various levels of work-based content. At one extreme is school-based learning, which includes work familiarization and practical exercises designed primarily to prepare students for work or for post-secondary vocational training. At the other end of the spectrum are rigorously organized and accredited alternating periods of learning at school and in an enterprise, aimed at producing skilled workers who can gain access to jobs smoothly. The general stream lies somewhere between the two, leading to unskilled employment and possibly some post-secondary VET, but only limited opportunities for higher education. These streaming decisions, which generally involve some form of individual assessment, have traditionally been immutable, but they are becoming increasingly permeable.[7]

Vocational training programmes outside the formal education system, run by independent bodies and financed by governments or by a levy on the payroll of employers, are also common. Entry requirements and the duration of training vary considerably, as they target school leavers, unemployed youth and employed workers who need to upgrade and adapt their skills. Vocational training courses of short duration are more work-oriented and flexible.

Proprietary training, provided by private training firms and institutions, has traditionally been a large supplier of skills in the industrialized world, and has recently grown rapidly in many developing countries. Growth in proprietary training has mostly been in the area of non-industrial skills such as service occupations, computing and information technology, management, and accounting; it has largely avoided training for technical and industrial occupations, which tends to require more costly investments. Such training has grown in response to employer and individual demand for increased opportunities for upgrading and continuous training. Private training institutions finance their operations primarily by charging fees, sometimes complemented by government subsidies; a large share of the tuition and other fees charged by these institutions may also be underwritten in the form of state grants and low-cost individual student loans.[8] Informal apprenticeship is a form of proprietary training common in countries that have a large informal sector, both rural and urban. Informal apprenticeship often absorbs a relatively large number of young people, and is now also being examined for wider use in other countries as a means of augmenting the supply of skilled trainees for informal sector employment.

VET has many benefits, but also some *shortcomings*.[9] Faced with rising unemployment among new labour force entrants who primarily have a broad academic background but few workplace skills, many countries have turned to vocational education and training as a means of solving the problem. The results have not always been

[7] For example, an increasing number of German apprentices now obtain a university entry certificate (*Abitur*). See David Soskice: "Reconciling markets and institutions: The German apprenticeship system", in Lisa M. Lynch (ed.): *Training and the private sector: International comparisons* (Chicago, University of Chicago Press, 1994).

[8] The United States has an extensive system of student grants and loans that can be used for attending many proprietary schools, community and technical colleges and universities. In 1996-97, US$28.5 billion was expended on student (and family) grants and loans at all levels.

[9] See Christopher T. King et al., op. cit.; and W. Norton Grubb: *Learning to work: The case for reintegrating job training and education* (New York, Russell Sage Foundation, 1996), Chapter 7.

satisfactory, and the hope that equipping school leavers with practical skills would ease their transition into employment and alleviate youth unemployment has been only partially realized.[10]

At the secondary level, vocational education costs 1.2 to 7.2 times that of academic secondary education. In some countries participating in secondary vocational education may leave options for further study open. In others it may shut students out of university education because entrance is based on performance in the general or academic secondary school curriculum or because admission and enrolment have a clear male bias or are based on attainments in general education, which discriminate against young women and groups with a poor educational background.

Vocational education often has not been effective in instilling employable skills because of poor links to industry and delays in adapting programmes to changing enterprise needs. Vocational training programmes provided outside the formal education system have suffered the same fate, with generally only a modest impact on employment and earnings. These outcomes are not surprising given the relatively low level of investment, particularly in developing countries where structural adjustment has cut VET budgets significantly.

The quality of output of proprietary training institutions is also often poor, as the enrolment in these institutions, rather than their rate of placement or retention in productive employment of graduates, largely determines the level of public funding. Given the inadequate attention to outcomes, training quality suffers. Furthermore, poor population groups may not gain access to programmes for lack of resources. Informal apprenticeship is more widely accessible in developing countries, but it has little theoretical content and uses rudimentary methods and materials. Apprentices are often exploited as cheap labour, and apprenticeships may deteriorate into child labour. In addition, quality control, recognition and certification of skills and competencies remain a problem.

VET should be an extension of the general education system, providing both basic skills and the specific skills demanded by the labour market. And these skills should be portable, so that the workers can be versatile and adaptable.

Continuous education and training

Lifelong learning for lifelong employability: A major challenge

In a knowledge and information society, lifelong learning in the form of continuous education and training (CET) is the guiding principle for policy strategies that promote a nation's economic well-being and competitiveness, but also its social cohesion and the individual's personal fulfilment. In developing countries, lifelong learning often assumes a particularly important social role as there is a large backlog in educating and training the labour force. Lifelong learning has an important equity element because it offers young people the prospect of gaining access to advanced training

[10] The latest round of National Assessment of Vocational Education, which will report to Congress in 2002, is especially concerned about the poor rates of return to secondary vocational education in the United States. One of the main quality improvement strategies at the secondary level has been strengthening the connection between vocational and mainstream academic education objectives.

irrespective of their initial education and training. The need for lifelong learning applies not only to formal sector workers in developing countries, but also to small and micro-enterprises and rural and urban informal sector workers that urgently need to improve their skills, products, services and working conditions.

Many international organizations are promoting the adoption of lifelong learning strategies in their member States. For example, in June 1999 the group of eight leading industrialized nations (the G8) adopted an "employability charter", the Cologne Charter, with the subtitle "Aims and ambitions for lifelong learning." The Charter states that education should promote the spirit of enterprise and be accessible to everyone. It urges governments to make the investments necessary to modernize education and training at all levels, the private sector to invest in training their present and future employees, and individuals to take charge of their own personal development and career advancement. The Charter stresses the complementary role of the private and public sectors in financing lifelong learning, highlights the importance of new information technologies, and calls for greater international recognition of the skills and competencies gained through continuous education and training.

Some countries have enacted constitutional guarantees of the right to CET, and many have enacted laws to promote and develop CET actively. These laws define its objectives, scope and limits, institutional and organizational structure, basic financing arrangements and the accessibility conditions for such education and training. Some countries (e.g. most European Union (EU) countries) are attempting to harmonize different CET programmes and practices that have mushroomed in the past and to consolidate them under a single legal framework so as to make them both more effective and more equitable.

Continuous education and training: Growing and diversified demand

Several factors account for the growing demand for CET. Enterprises seek CET to enhance their competitiveness. Large numbers of displaced and vulnerable workers need CET because their skills are specific to a single employer or sector, putting them at higher risk of unemployment if they lose their jobs. The long-term unemployed whose skills have deteriorated and whose confidence has ebbed need CET to boost their chances of getting a job. "Second-chance" workers who dropped out of general education and/or training at an early stage need CET to make up for lost opportunities, and many people simply wish to continue learning as technology and the world of work continue to change. The educational attainment of young and adult workforce members, and the quality of their initial training before they enter the labour market, largely determine the scope and nature of CET.[11]

Enterprise demand for CET

Training and learning have often taken place in the workplace, depending on the size and type of the enterprise and the type of work organization and management culture. Job enrichment initiatives in the 1960s were perhaps the starting point for

[11] For a comprehensive review of employer training and its effects, see John Bishop: *The incidence of and pay off to employer training: A review of the literature with recommendations for policy*, Working Paper No. 94 (Ithaca, Cornell University, 1994).

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introducing continuous education on a more systematic basis, particularly in large enterprises. By the 1970s workers' training and upgrading had become promotional elements of sales contracts for new equipment and technology transfer to developing countries. Multinational and large enterprises tend to approach CET in a systematic manner and to make in-service training investment an integral part of their human resource and total quality management policies and practices. A few have even started to integrate human resource investment into their accounting systems, just as they would any other investment in physical capital.

Enterprise size is often an important factor in the provision of CET. Statistics for both the EU and the United States indicate that large enterprises are often the most active CET providers. These large enterprises increasingly introduce successful human resource management practices and new forms of work organization that help them become high-performance organizations, based on the use of continuous individual and collective learning. Professional, employer and industry associations also provide for, and assist in, financing in-service CET, particularly catering to the needs of small and medium-sized enterprises. In the informal sector in developing countries entrepreneurial associations play a key role.

Initial training by enterprises plays an important part in assisting young people to adapt to particular jobs and subsequently develop their *portable* professional competencies, especially when there has been little, or too general, initial institution-based training. Japan, for example, has emphasized the value of training in the workplace over that provided in training institutions; and it has stressed both technical and employment relations training, including "soft" skills.[12] In many countries continuous in-service training has expanded to compensate for initial training and basic education programmes that are, or are perceived to be, inadequate responses to changes in the labour market. To some extent, this reflects the United States experience in recent years, with the expansion of customized training that is financed through a variety of training funds (e.g. the Employment and Training Panel in California, the Smart Jobs Fund in Texas) and responds very directly to needs articulated by employers and employer associations.

The expansion of initial training to "alternating" training, which combines institutional and workplace training, and apprenticeship has reduced the differences between initial and in-service training. When enterprises play a major role in initial training, particularly through structured apprenticeships, alternating training or a dual system such as Germany's, or when they maintain close linkages with training institutions, CET has followed naturally and reached all or many employees as an instrument to promote the enterprise's competitiveness and human resource management. Norway has expanded its use of apprenticeship training after many years emphasizing a school-based system, as have certain subsectors in many countries, e.g. banking, insurance, water, electricity and public services.

Despite the increased enterprise demand for CET, overall firm investment in training has been insufficient, except perhaps in countries with a tradition of on-the-job training (e.g. Denmark, Germany, Japan and Switzerland). If employee turnover is high, firms may be reluctant to train workers. Firms that risk having their staff "poached" tend to limit investment to non-portable firm-specific training; and smaller

[12] Masanori Hashimoto: "Employment-based training in Japanese firms in Japan and in the United States: Experiences of automobile manufacturers", in Lynch (ed.), op. cit.

firms generally provide limited training as they often face higher training costs per employee. According to a recent study, one in five workers in the Netherlands reported that they were not receiving the training they needed, one in four in the United States reported they were under-trained, and almost 30 per cent of workers in Switzerland and a third of Canadian workers responded that they were not obtaining sufficient workforce development training. In addition, many studies show that CET is directed at younger workers up to 35 years of age and at workers who are better educated, have developed learning skills and possess the right portable, general skills; workers typically less likely to receive employer-sponsored training include women, minorities and those employed in the informal sector.

Active labour market policies and CET

The growth of unemployment in the late 1970s and early 1980s was initially met by passive income-support measures. But these soon gave way to active programmes designed to help in particular the young and long-term unemployed, laid-off workers and women returning to the labour market to obtain work, inter alia, by providing substantial education and training. Employment and training funds have been established in both developed and developing countries to provide training and retraining of unemployed and other adults. These funds are financed by the State or through partially diverted unemployment insurance taxes paid by employers and workers.[13] Regional and subregional economic organizations such as the EU and MERCOSUR increasingly contribute. And enterprises may be required to pay into a CET fund, particularly in industries with frequent lay-offs. The amount of resources allocated to CET for the unemployed tends to follow the economic cycle, rising when unemployment increases and decreasing when it falls.

Today, local and regional contracts for training are more open to competition and are increasingly contracted out to private training providers on a competitive basis as reforms have been introduced that open up the market for training the unemployed, which traditionally was the domain of public sector training institutions and centres. At the same time, public institutions are afforded the opportunity to compete with other training providers for a share of the growing private-sector CET market for adult education and training. Stagnant or declining regular employment, particularly in developing countries, has recently led to the promotion of self-employment and entrepreneurship as well, both of which call for managerial and business training. But entrepreneurial training measures have not always been as successful as expected, as economic conditions continue to be unfavourable, especially in some developing countries.

CET as part of anti-poverty and equity strategies

Recent international conferences and meetings, such as the 1996 Social Summit, have pointed to the growing incidence of poverty, inequality, economic vulnerability and social exclusion in the world. The population groups most affected include

[13] In the United States these state-based funds now often rival in size the federal training allocations under its 1998 Workforce Investment Act; for example, the three training funds in Texas, the second largest state, totalled more than US$60 million in 1998.

women, the unemployed, minority groups, persons with disabilities, indigenous populations, and workers in small enterprises and rural and urban informal sectors. Because many of the poor have had limited access to basic education and training, they remain trapped in low-productivity, low-wage work, often outside the formal sector.

Women make up over two-thirds of those living in poverty worldwide. They are heavily concentrated in the most marginal survival enterprises (often working at home) and in wage employment in secondary labour markets that are characterized by low skills and high turnover. In sub-Saharan Africa they also undertake most of the agricultural production. The problem of training is therefore overwhelmingly linked to the economic and social vulnerability of women, and particularly the multiple barriers and constraints that prevent them from taking advantage of training opportunities.

Older women workers who are illiterate or poorly educated lack the basic skills required to benefit from training if it were to be provided. In addition, in part because they enter and re-enter the labour market with such inadequate skills, they are constrained to the lower reaches of the formal sector in developing countries or to low-paid and increasingly contingent or part-time work in the developed countries.

Eliminating employment practices that discriminate against women, reducing the opportunity costs of training for women and improving their access to CET are likely to improve greatly their chances of securing better jobs and earning higher incomes. Policies to support lifelong learning and new pathways to skill development for workers in non-standard forms of work and those in occupations with low training opportunities can greatly improve women's access to better jobs and higher income earnings. In some developed countries, private sector enterprises have pioneered CET as part of their policies to promote equity in employment between men and women. For example, at the Electricity Supply Board in Ireland, technical and top-level jobs that hitherto were dominated by men have been opened up to women after they have undergone the requisite CET programmes.

Persons with disabilities comprise on average about 10 per cent of the total population. Traditionally they were excluded from regular schools and training programmes in most countries and placed instead in special centres with very limited training, often disconnected from the real demands of the labour market. This inequality of opportunities in education and training has contributed to the low level of economic integration and the marginalization of disabled persons.

Inspired mainly by United Nations, ILO and UNESCO policies and guidelines, an increasing number of countries are developing strategies, legislation and incentives to guarantee people with disabilities equal access and opportunities in education and training. The concept of "reasonable accommodation" to disabled persons' needs, reflected in the national legislation of the United States and the United Kingdom, for instance, applies also to schools and training centres. A methodology has been developed in Bolivia, Brazil, the Caribbean, Colombia, Mexico and Uruguay to integrate disabled persons in mainstream VET institutions. Some EU countries have established measures to encourage training for disabled workers through collective bargaining and agreements between the social partners. However, the problem of adequate education and training remains unsolved for the vast majority of persons with disabilities.

Many countries, particularly those in Africa, have a large *informal sector* where traditional apprenticeship is strong. Continuous training targeted at craftsmen can be used there to improve the quality of such apprenticeship. Assistance programmes have often endeavoured to establish multi-purpose resource centres that provide technical assistance and services and facilitate technology transfer to informal sector and micro-enterprise entrepreneurs and artisans. In some countries entrepreneur associations have taken over these resource centres and used them for continuous training and upgrading of their members. The centres have also contributed to raising the quality of informal apprenticeship. Particularly developed in West Africa, they are emulated in other parts of the region.

Public sector training has traditionally favoured groups other than those most in need. This is especially true in developing countries, although some, most notably Colombia, have changed their training priorities and resource commitments significantly in favour of the poor. In Africa most governments simply do not have the resources to fund major training programmes for the poor adequately and the small number of public institutions there mostly prepare school leavers for skilled occupations in the formal sector. Little is known about access of the poor to private training. However, NGOs have filled the large gap to some extent by integrating literacy and other training into their ongoing assistance programmes.

CET directly linked to the development needs of clearly identified groups among the poor is an important element of an effective anti-poverty strategy. CET, provided formally or informally, emphasizes functional literacy, basic business skills, skills to improve safety at work, and the development of technical skills to raise productivity in small urban and rural enterprises. Training in multiple skills is also given in support of efforts to diversify the participants' income-earning base.

Countries have tried a variety of different strategies to stimulate private investment in skills training that also targets disadvantaged and vulnerable workers. Since many of these workers are employed in micro-, small or medium-sized establishments, some of these training incentives have also been aimed at them. Training levies are potentially useful in that they can set a level playing field in terms of the investment that employers make in their employees. In some countries efforts have been made to redistribute the money collected through these levies so as to finance the training of members of vulnerable groups, even when these do not contribute financially. But employers have sometimes questioned this practice, arguing that they do not reap direct benefits from the provision of such training.

CET also plays an increasingly important role in collective bargaining. Some trade unions have established training funds through the collective bargaining process at the national level in Europe (for example in Denmark and the Netherlands) and at the sectoral level (in the United States in the telecommunications and automobile industries). These funds are typically financed jointly by employers and workers, with contributions specified in the collective bargaining agreement. This has had a positive impact on the training of workers, especially those covered by collective bargaining agreements. But in countries with a substantial informal sector or low union coverage, such a strategy is likely to have a very limited impact.

The United States and the United Kingdom have recently focused on promoting a *training market* to meet the needs of disadvantaged groups by establishing individual training accounts (ITAs). In order to be effective these training accounts must

be accompanied by adequate and targeted labour market information and guidance services.[14]

CET efforts have evolved from mainly ad hoc, private initiatives in the 1970s to become a strategic and integral element of economic and social policies in many countries in the 1990s. Many governments have endeavoured to establish a framework of incentives for, and commitments by, enterprises and individuals to engage in, sustain, develop and finance CET activities that both meet the short-term training and skills development needs of enterprises and promote the long-term career success of employees and increasingly diversified career paths.

Extending lifelong learning for all: Meeting the challenge

A first challenge must be to review and strengthen the base on which CET is built – basic education and initial training. A substantial improvement in basic education and skills will create a better foundation for developing a CET system that will assist individuals to adapt to continuously changing demands in the labour market. Some countries have progressed more than others in ensuring everybody's access to opportunities to develop general, portable and employable skills. In countries that have progressed less in this area CET must, as a priority, continue to compensate for the deficiencies in basic education and initial training and impart the necessary employable skills. But CET must also endeavour to respond to the rapidly changing demand for specific skills in the labour market. The State must continue to assume a major role in providing CET as a means of equipping the labour force with the requisite general employability. In contrast, countries that have been able to raise the basic skills of their population have been able to devolve much of the responsibility for CET and its financing to the enterprise sector and the private training market.

The second challenge is to engage all the partners involved – the State, enterprises and individuals being the major ones – in a collective effort to sustain the emerging culture of CET. The State should assume a major role in developing the base for CET, enterprises and the private training market in providing and financing CET, and the individual in sustaining the demand for CET and contributing to its financing. The major equity challenge is to mobilize particular groups, provide the necessary information and guidance to them, and improve their capacity to organize themselves and make effective use of CET opportunities. This includes seizing the vast learning opportunities provided through the Internet, today accessible to an increasingly significant portion of the population, as an indispensable tool and vital medium of CET.

To sum up, in most countries, training policies and institutions have often responded poorly to the pervasive changes occurring in the economy and society. The growing need for education and initial training to provide the basis for employability and trainability throughout working life is still unmet for large sections of the population, particularly in developing countries. Economic and social demand for

[14] The ITAs that are being created in the United States under the Workforce Investment Act are not vouchers in the true sense, in that they come with many controls and restrictions and are accompanied by an elaborate training provider certification process and substantial information on labour market opportunities, demand occupations, wages, etc. For a thoughtful critique of training vouchers, see John Trutko and Burt S. Barnow: *The evidence on vouchers* (1999).

the retraining and adjustment of skills and competencies of the existing workforce has often been neglected, particularly at the fringes of formal labour markets. This omission has made it difficult for all countries to benefit from globalization and new technologies and to improve productivity and competitiveness. The incidence of poverty, inequality, economic vulnerability and social exclusion is growing worldwide. The groups most affected include women, the unemployed, minority groups and indigenous populations, often working in small enterprises and in the rural and urban informal sectors. More and continuous investment in skills acquisition and training could go a long way towards reversing this trend and should therefore constitute an integral element of comprehensive economic, employment and social policies and programmes.

For this, two major challenges must be addressed. Firstly, countries need to continue reviewing and strengthening basic education and initial training, and to pursue policies that reflect the progress they have made so far. Secondly, countries need to commit and engage all the partners concerned – the State, enterprises and individuals – in a collective effort to invest in more and better training and to sustain the emerging culture of continuous education and training. This effort must be supported by more resources, targeted guidance and improved information about successful experiences, nationally and internationally.

CHAPTER III

YOUTH EMPLOYMENT AND TRAINING

Introduction

Impediments to employment of youth (aged 15-24 years) have substantially increased in recent years. A disproportionately large number of young people are exposed to long-term unemployment or are limited to precarious or short-term work, or poor-quality low-income jobs. Consequently, large numbers of young people drop out of the workforce, or fail to enter it successfully in the first place and become inactive. Socially disadvantaged youth are particularly affected, perpetuating a vicious circle of poverty and social exclusion. Problems of youth employment pervade both developed and developing countries, although in developing countries, where few people can afford to be unemployed, the employment problem is more an issue of underemployment and low pay in the formal sector and low-quality jobs in the typically large informal sector.

Youth employment has become a priority of employers' and workers' organizations throughout the world. The International Organisation of Employers (IOE) presented its action programme on youth employment at the First 1998 Session of the General Council of the IOE. The International Confederation of Free Trade Unions also has an action plan on youth employment. Many youth organizations are involved in youth employment promotion and projects. The Young Americans Business Trust (YABT) of the Organization of American States is a multinational project that promotes micro-enterprise development, business skills training and support services for young people throughout the Caribbean and the Americas. The European Commission's *2000 Employment Guidelines* urge member States to ensure that every unemployed young person is offered a new start before reaching six months of unemployment, by means of training, retraining, work practice, a job or other employability measure with a view to effective integration into the labour market.

The ILO has long been active in raising awareness of youth employment issues. In 1970 it adopted the Special Youth Schemes Recommendation (No. 136), which provides guidelines regarding youth employment and training schemes for development purposes and specifies the conditions under which they should operate. In 1986 and 1996 youth employment was on the agenda of the International Labour Conference, and in 1996 the Conference adopted conclusions for the promotion of full employment which called on countries to design and implement special measures to enhance the employability of groups with special needs, including young workers.

The ILO also implemented an Action Programme on Youth Employment that highlighted the importance of improving general economic conditions and strengthening tripartite involvement; and it stressed the need for adequate labour market information, carefully targeted measures, and monitoring and evaluation. The ILO has established a database entitled *Key Indicators of the Labour Market* (KILM) that includes youth unemployment, disaggregated by sex, as one of the indicators. The ILO

now has a youth employment web page[1] that provides information on publications, indicators and best practices of youth employment, and is in the process of preparing manuals on youth employment for use by employers' and workers' organizations. And the ILO has undertaken country-level activities to promote youth employment in Brazil and Fiji.

The ILO has also made a serious commitment to the elimination of child labour, which is at the root of poor working conditions for youth. The International Programme on the Elimination of Child Labour (IPEC) is now active in 90 countries in Asia, Africa, Latin America and Europe. In June 1999 the International Labour Conference adopted a new Convention on the worst forms of child labour. The elimination of child labour should remove a major obstacle to school attendance and improve conditions of traditional apprenticeship.

Other international ventures have also been launched recently, including the *World Youth Forum of the United Nations System* and the *First World Conference of Ministers Responsible for Youth*. In the light of the growing consensus on the special need to help youth obtain adequate work, the ILO Governing Body decided that special emphasis should be placed on youth during the general discussion on human resources development and training at the 2000 session of the International Labour Conference.

YOUTH EMPLOYMENT PROBLEMS: THE EVIDENCE

A large proportion of young workers are *unemployed* throughout the world. In countries as diverse as Colombia, Egypt, Italy and Jamaica, more than one in three young workers are classed as unemployed – declaring themselves to be without work, to be searching for work and to be available for work (table 1). The most seriously affected regions are southern Europe (notably Greece, Italy and Spain), Eastern Europe (particularly Bulgaria, Latvia, Macedonia and Poland) and the Caribbean (especially Jamaica and Trinidad and Tobago). However, youth unemployment is not high in all countries. In Austria, Japan, the Republic of Korea, Mexico, Singapore and the United Republic of Tanzania, fewer than one in 12 young workers are unemployed, and the difference between youth and adult rates is relatively low. In Germany, although unemployment among youth has risen, it remains not much different from that of adults.

A disproportionately large number of youth in many countries are *underemployed*, working fewer hours than they would like. Young people may be able to obtain only part-time work, as is often the case in France (particularly among young women) and Indonesia for example, or seasonal work, as happens frequently in the agriculturally based economies of South Asia and sub-Saharan Africa. Underemployment is also high among many young people who work in the household production unit in the rural and urban informal sectors.[2]

In most countries *teenagers* show higher unemployment rates than do people in their early twenties (table 2). However, the difference is small in Indonesia and India, and only moderate in most developed economies. In France and Germany, where it is

[1] http://www.ilo.org/publ/english/60empfor/polemp/youth

[2] M. R. Rosenzweig: "Labour markets in low-income countries", in H. Chenery and T. N. Srinivasan (eds.): *Handbook of development economics*, Vol. 1 (Rotterdam, Elsevier, 1998).

Table 1. Open unemployment rates, young workers, selected countries, ca. 1997

(Ranked by difference between youth and adult rates)

	Youth unemployment rate (%)	Difference between youth and adult rates (% points)	Year (if not 1997)
Zimbabwe	44.3	33.7	1994
Egypt	34.4	30.0	1995
Colombia	35.1	29.3	
Namibia	56.7	28.5	
Jamaica	35.2	26.6	1995
Italy	33.6	24.5	
Spain	37.1	19.9	
Sri Lanka	24.7	18.7	1995
France	28.1	17.2	
Poland	24.6	15.2	
India	16.1	12.6	1993
Russian Federation	16.6	9.7	1995
Hungary	15.9	8.5	
Chile	13.0	8.9	
Brazil	12.6	8.0	
Indonesia	8.7	7.7	1992
United Kingdom	13.5	7.6	
United States	11.3	7.5	
Korea, Republic of	7.7	5.8	
Tanzania, United Republic of	7.2	5.1	1990
Mexico	6.6	4.2	
Japan	6.6	3.7	
Singapore	5.1	3.0	
Austria	6.5	2.3	
Germany	10.0	0.3	

Note: Youth is typically defined as ages 15-24 inclusive, adults as ages 25 plus. Unemployment is defined as the combination of being without work, available for work and actively seeking work during the reference period; differences in the implementation of the definition and in sources of data nevertheless limit the comparability of unemployment rates across countries.

Sources: ILO: *World Employment Report 1998-99* (Geneva, 1998), table 9; P. Visaria: *Unemployment among youth in India: Level, nature and policy implications*, Employment and Training Paper No. 36 (Geneva, ILO, 1998), tables 2.3 and 2.8; ILO: *Key Indicators of the Labour Market 1999* (Geneva, ILO, 1999), table 2.

actually negative, mass labour market programmes and apprenticeships that target teenagers have temporarily reduced their rate of unemployment.

The causes of youth unemployment and underemployment are often attributed to the relative importance of several factors: aggregate demand, youth wages, labour market regulations, employment protection laws, and the size of the youth labour force. But perhaps most important in the context of the general discussion is the *employability* of young people, i.e. their educational level, the relevance and quality of their initial training and their possession of a certain amount of work experience that facilitates their insertion into the labour market. The relative influence of these factors

Table 2. Disadvantage and youth unemployment, by schooling, race, gender, age

(Percentage point differences between unemployment rates of the two sub-groups of young workers)

	(1) Schooling: early leavers minus all leavers[1]	(2) Ethnicity: minority minus majority[2]	(3) Gender: Female minus male	(4) Age: 15/16-19 age group minus 20-24 age group
Developed economies				
France	10	10	7	–6
Germany	6	10	–1	–3
Japan	0[3]	6	0	4
Sweden	10	10	–1	7
United Kingdom	15	26	–6	4
United States	9	20[4]	–1	8
Other economies				
Brazil			6	
Hungary			–2	15
India			0	3
Indonesia	–20[5]		1	1
Jamaica	–2[6]		22	16
Namibia			15[7]	7
Poland			6	19

Note: Empty cells are those for which data have not been located.

[1] For developed countries, those who do not complete upper-secondary schooling minus all leavers; for other countries, primary leavers minus other groups of leavers, as indicated.

[2] Ethnic minorities are Koreans (Japan, 1995), non-Europeans (Sweden, 1995 cohort of 1988 secondary-school leavers), non-EU born (France), foreigners (Germany) and blacks (UK, 1998, and US, Jan. 1999).

[3] Usual employment status "not working" and either "not keeping house" or "not studying".

[4] 16-19 year olds.

[5] Primary leavers minus secondary and higher leavers, urban males.

[6] Primary leavers minus all leavers, 20-24 year olds.

[7] 20-24 year olds.

Sources: Developed economies: P. Ryan: *Youth employment and training*, unpublished paper prepared for the ILO (Oct. 1999). Other economies: tables 1 and 5 of this report.

tends to vary substantially in different country and development contexts. They are discussed briefly below.

Aggregate demand. The most powerful influence on the youth employment and unemployment position is the national employment situation as a whole. It is not just that young workers share the adverse effects felt by all workers when the demand for labour is depressed; typically, their share of those effects is disproportionately large. In most countries, a 1 per cent increase in the adult unemployment rate tends to be accompanied by an increase of closer to 2 per cent in the youth rate (table 3).[3] However,

[3] D. G. Blanchflower and R. B. Freeman (eds.): *Youth employment and joblessness in advanced countries* (Chicago, University of Chicago Press/NBER, 1999).

Table 3. Super-cyclicality in youth unemployment

(Estimated change in youth unemployment rate associated with a one percentage point change in the adult or total unemployment rate)

National time series, total unemployment rate, 1980-94	
France	1.8*
Belgium	1.7*
Spain	1.5*
United Kingdom	1.4*
United States	1.4*
Denmark	1.4*
Australia	1.3*
Germany	1.1
Italy	1.1
Netherlands	0.8
Pooled national time series, adult unemployment rate, 1980-97[1]	
OECD countries	1.7
Asian countries	1.8
Latin America	1.8
Transition countries	2.0

Note: Asterisk indicates statistically significant difference from unity (p=.05).

[1] Country fixed effects included for all categories except transition economies; statistical significance not indicated.

Sources: OECD: *OECD Employment outlook*, July 1996 (Paris), table 4.18; D.G. Blanchflower: *What can be done to reduce the high levels of youth joblessness in the world*, unpublished paper prepared for the ILO (1999).

aggregate demand alone cannot explain youth unemployment. Some countries, where national institutions maintain youth on an equal footing with adults in terms of employment, even in times of adversity, tend to have low youth unemployment.

Studies have shown that, although the *size of the youth cohort* influences youth unemployment, aggregate labour market conditions have a stronger effect. In OECD countries, for example, an increase in the youth population of 10 per cent would raise youth unemployment by only 5 per cent.[4] Sustained economic growth could therefore contribute significantly to containing and reducing high youth unemployment in developing countries, assuming of course that young people have the competencies and skills needed in the labour market.

Youth relative wages are sometimes given as a cause of high youth unemployment. Employers have little incentive to employ and pay young people wages that do not reflect their productivity. However, if young people and adults complement each other at work, reflecting, for example, different skill requirements, the argument no longer holds. In many OECD countries the relative wage rates of young people fell during the 1990s, while youth unemployment rates rose, indicating that policies that reduce youth wages in order to cut youth unemployment may be ineffectual.

[4] S. Korenman and D. Neumark: "Cohort crowding and youth labor markets: A cross-national analysis", in Blanchflower and Freeman, op. cit.

It is often argued that *labour market regulations* increase youth unemployment by making youth labour too expensive. The policies that have been advocated include reducing employment protection for young people.[5] However, the increased use of fixed-term employment contracts for youth, which often fall outside the scope of employment law, have had little impact on raising the proportion of young people in stable employment; France provides a good example, where fixed-term contracts generally only shift youth unemployment from long-term to frequent short-term spells.

Being less experienced than adults, young people need to invest more time in *searching and matching*. Therefore, a higher youth unemployment rate is to be expected. In developing countries with no unemployment benefits and low living standards, young workers cannot afford a lengthy search unless they have financial support, and instead often eke out an existence in low productivity work in the subsistence-oriented *informal sector* or in odd jobs. However, the need for a lengthier search cannot alone explain the high absolute differential rates of unemployment between youth and adults that exist in countries such as Colombia, Egypt, Italy, Jamaica, Namibia and Zimbabwe (table 1).

Neither can search and matching explain the large increase in *youth inactivity* in several developed countries, including Sweden and the United Kingdom, and to a lesser extent the United States (table 4). Little comparable information is available on transition and developing countries. But inactivity seems to be widespread amongst young Indonesian males and urban teenage males in India.

Discrimination also contributes to youth unemployment, underemployment and inactivity. The most socially disadvantaged young generally experience more problems obtaining employment. They are less likely to attain good basic education, and are often discriminated against on the basis of social class, ethnic origin, gender, disability, etc. (table 2). For instance, data from Japan, Sweden, the United Kingdom and the United States show above-average unemployment rates for ethnic minorities. Poor young people are even more prone to unemployment, and particularly to inactivity. In several advanced economies youth joblessness is more and more concentrated in households in which no member is employed.[6]

In many developing and transition countries, as well as in some developed countries such as France, more *young females* are unemployed than are young males, but in other countries such as Hungary, India, Indonesia, some Latin American countries and the majority of developed countries, the gender difference is small or negligible. However, economic discrimination by gender is more widely evident.

Young women typically face higher unemployment than men or have lower participation rates, although the situation varies considerably between countries. In many countries young girls are out-performing boys at school, but girls are still concentrated in traditional fields of study not related to changing job markets. Countries such as France, Jamaica and Japan, where girls have equal access to education, may still exhibit a deterioration of labour market conditions for young women due to gender discrimination. In other countries such as Ghana, India and Kenya, girls' access to education and training is particularly weak, forcing young

[5] OECD: *The OECD jobs study: Facts, analysis, strategies* (Paris, 1994).

[6] N. Bowers, A. Sonnet and L. Bardone: "Giving young people a good start: The experience of OECD countries", in OECD, op. cit.

Table 4. Unemployment, inactivity and joblessness, young males, by age group, selected economies, 1987 and 1997

(Percentage of population in age group)

Age	Country	(1) Unemployed [1]	(2)	(3) Inactive [2]	(4)	(5) All jobless [3]	(6)
		1987	1997	1987	1997	1987	1997
Developed economies							
16-19	France	8.0	4.5	2.2	2.3	10.2	6.8
	Germany	1.9	2.2	1.2	2.4	3.1	4.6
	Japan	1.6	1.9	1.2	1.5	2.8	3.4
	Sweden	1.6	3.6	3.6	9.9	5.3	13.5
	United Kingdom	11.4	8.6	1.7	10.8	13.1	19.4
	United States	6.8	3.2	1.2	4.5	8.0	7.7
20-24	France	14.1	15.4	2.4	2.9	16.5	18.3
	Germany	6.2	8.5	2.4	4.0	8.6	12.5
	Japan	3.1	4.7	1.4	1.8	4.5	6.5
	Sweden	3.7	11.0	7.8	12.1	11.5	23.2
	United Kingdom	12.7	12.6	2.3	6.1	15.0	18.7
	United States	9.0	5.5	1.5	5.4	10.5	10.9
Other economies [4]							
15-19	India (urban)	7.4	4.8	4.9	3.7	12.3	8.5
20-24	India (urban)	11.8	9.7	2.4	2.4	14.2	12.1
15-24	Indonesia		8		9		17

Note: (5)=(1)+(3); 6=(2)+(4).

[1] Standard ILO/OECD definition.

[2] Not in labour force and not enrolled in an educational course.

[3] Not employed and not enrolled in an educational course.

[4] Indian data refer to 1987-88 and 1993-94, respectively; Indonesian, to 1992; comparability to OECD data is limited.

Sources: N. Bowers, A. Sonnet and L. Bardone: "Giving young people a good start: The experience of OECD countries", in OECD: *Preparing youth for the 21st century: The transition from education to the labour market* (Paris, 1999), chart 4; Japan and Sweden, official labour force surveys; Visaria, op. cit., table 2.4; C. Manning and P.N. Junankar: "Choosy youth or unwanted youth", in *Bulletin of Indonesian Economic Studies*, Apr. 1998, p. 68.

women disproportionately into the informal sector and particularly into jobs in subsistence-oriented activities.[7] Still other countries such as Afghanistan and Saudi Arabia impose economic inactivity on many young women.

Education levels per se cannot fully account for differing unemployment rates between young people and adults, as the effects of educational attainment on youth unemployment are mixed. In most developed economies young people who leave school early experience higher unemployment in early working life. However, massive increases in school enrolment in France and many other countries in recent years have reduced the employment-related advantages of obtaining more education, most

[7] S. McGrath, K. King, F. Leach and R. Carr-Hill: *Education and training for the informal sector* (London, Overseas Development Administration, 1995).

Table 5. Unemployment rates of young adults (20-24 years) by educational attainment, 1996

(Percentage of 20-24 year old labour force)

	Educational attainment		
	Less than secondary	Upper secondary	Tertiary (non-university)
Countries with positive relationships			
France	37.0	23.5	19.0
Poland	32.0	26.7	26.0
Sweden	30.9	20.2	11.0
United Kingdom	28.0	11.6	8.0
Hungary	22.3	11.7	3.4
United States	19.1	9.6	5.3
Uruguay	17.0	16.0	11.0
Germany	15.4	8.4	7.2
Paraguay	14.3	9.3	3.1
Countries with mixed or negative relationships			
Spain	37.0	40.7	36.8
Italy	29.1	36.8	37.9 [1]
Jordan	17.8	19.5	39.4
Brazil	10.0	11.2	8.1 [1]
Malaysia	4.1	5.1	7.2 [1]
Thailand	2.8	3.6	5.9

[1] University level.

Source: OECD: *Education at a glance: OECD indicators* (Paris, 1998), table D4.1a.

notably in Italy and Spain (table 5). In some developing countries such as Indonesia, Jordan and Thailand, unemployment rates are higher for the more, rather than the less, educated; but this is not true for other countries such as Paraguay. In Indonesia, primary-level school leavers who may accept low-quality, insecure jobs, actually have much lower unemployment than more demanding secondary- and tertiary-level school leavers, whose skills may not meet labour market demand (table 2). However, the quality and appropriateness of education and training certainly has an impact on the employability of youth.

Competencies and skills possessed by young people are a significant factor in determining employment of youth. Studies show that employment outcomes are increasingly determined by the level and quality of education and training, and by their relevance to labour market needs and opportunities. The mechanisms deployed to facilitate young people's transition from school to work, such as apprenticeships, alternating training and the involvement of young people in the world of work during their schooling, also play a vital role, particularly when they are founded on close school-enterprise links.

Globalization and the diffusion of new technologies are raising the demand for workers who possess higher levels of education, skills and competencies. Countries

with a growing supply of educated young people can expect a rapid improvement in the quality and quantity of youth employment. However, the labour market puts a premium also on work experience and attitudes, which even well-educated and -trained young people often lack. The transition period between school and employment for young people has tended to lengthen and those who find work tend to endure more spells of work in temporary, insecure jobs. A major task for public policy is to provide adequate and appropriate education, initial training and support programmes (e.g., vocational guidance and counselling, job search assistance, and income and psychological support) to reduce the insecurity and hardships during the transition period and facilitate young people's eventual insertion into stable employment.

The *consequences* of youth unemployment, underemployment and inactivity are well documented. Unemployment in early life may permanently impair young people's employability, as patterns of behaviour and attitudes established at an early stage will tend to persist later in life. Their exclusion from gaining work experience and access to continuous training also increases their difficulties in finding jobs later. Other serious consequences of youth unemployment and insecurity are linked to the exclusion of young people from a productive role in the adult world of work, as this can demoralize them, undermine social cohesion and lead to social problems such as crime, drug abuse, vandalism and general alienation. Therefore, effective youth education and training policies, coupled with support programmes and appropriate macroeconomic policies to stimulate labour demand, merit high priority in all countries.

Policies and programmes

In order for education and training to have a positive impact on youth employment it must be carefully designed and well funded. Incentives should be provided to encourage young people to invest in training, and should form an integral part of youth employment policies and programmes. Effective integration of economic, social and training policies for youth demands a close alliance between government and NGOs and between the public and private sectors, and the full cooperation of employers' and workers' organizations, as well as of the community at large. Although beyond the scope of this report, macroeconomic policies which affect aggregate labour demand and microeconomic policies which affect labour supply also play a critical role in improving job prospects for youth.

Developed countries have frequently combined training with other *active labour market policies*. Well-designed and -funded programmes should offer unemployed and disadvantaged young workers a *package of services*, including remedial education, job training, job search assistance, and direct provision of work experience. Evidence from the United States suggests that offering only a few services is not sufficient. The United States labour market programmes of the past three decades have been widely judged either to have failed or helped only marginally, and did not justify the cost. Only the Job Corps programme, a high-intensity, high-cost residential programme involving considerable remedial education and occupational training, made significant gains in employment and earnings, while society enjoyed substan-

tial net benefits over costs.[8] Similar programmes in France, Sweden and the United Kingdom, which covered large proportions of the teenage labour force, also improved the subsequent employment rates of participants. The programmes with the best results usually involve employer sponsorship of job training or work experience. However, programme participants tend to displace, on a large scale, regularly employed adults and young people. This displacement effect greatly reduces, if not nullifies, the employment benefits of the programme as a whole.

Poorly designed and under-funded programmes merely put pressure on young people to accept poorly paid pseudo-employment in the guise of work-based training, where employers have little interest in offering real training. The growth of youth "workfare" (mandatory work for benefits) may also have fostered the rapid growth of inactive youth joblessness in countries such as Sweden and the United Kingdom (table 2). Many young people accept lower pay during, and even after, participation in labour market programmes, but others opt to drop their claim to public benefits, leaving the labour force and supporting themselves from other sources – family, informal, sometimes illegal – rather than enter the low-quality, ill-paid public programmes on offer.

Vocational education and initial training

Vocational education and training (VET), which targets young people aged 16-24, addresses the complex issues of youth training. The publicly sponsored vocational training institutes of many Latin American countries provide examples of VET for young people. Chile has led a recent trend towards privatizing and decentralizing public training programmes. Stagnating formal sector employment has led to widespread support, from both governments and NGOs, for programmes that promote self-employment in the informal sector, through both formal education and labour market training. The *Chile Joven* programme provides employer-based, short-duration training for disadvantaged and unemployed youth, and has been copied by other countries such as Argentina *(Proyecto Joven)*.[9] The *Joven* programmes are aimed at young people from low-income homes with little education. Formal evaluation of *Chile Joven* has suggested that the programme increased participants' immediate labour earnings by around 10 per cent.

A handful of countries have formally integrated education and initial training with employment, based on the needs of the labour market. The result has been to keep youth unemployment rates low and ensure a relatively smooth transition of young people from school to work, and is worth describing in detail.

In Denmark the design, implementation, evaluation and reform of the training system for youth is a tripartite endeavour. Standards are set for approximately 90 occupational categories and training regulations are developed for each of them by a

[8] J. J. Heckman, R. L. Roselius and J. A. Smith: "US education and training policy: A re-evaluation of the underlying assumptions behind the 'new consensus'", in Lewis C. Solmon and Alec R. Levenson (eds.): *Labour markets, employment policy and job creation* (Boulder, Westview Press, 1994); and P. Ryan and C. Büchtemann: "The school-to-work transition", in G. Schmid, J. O'Reilly and K. Schöman (eds.): *International handbook of labour market policy and evaluation* (Cheltenham, Edward Elgar, 1996).

[9] M. R. Gallart: *Trends and challenges in vocational training and employment in Latin America*, Paper presented to the XIth Inter-American Conference of Ministers of Labour, Organization of American States, Viña del Mar, Chile, 20-21 Oct. 1998.

committee composed equally of representatives of management and labour under the general supervision of the Ministry of Education. The regulations are brief but specify the skill requirements for the occupation, the duration, the programme of study and what must be examined to determine if the person who has completed the training has met acceptable standards. To enrol in this training a young person can contact an employer and then sign up with a business or technical college, or contact a college and then find an employer. Business and technical college boards must, by law, consist of a majority of representatives of management and labour from local enterprises. At the end of the programme there is an examination by a team consisting of a teacher, a representative of management and a representative of labour. Because the social partners develop the standards and govern the institutions providing the training, they feel they have ownership of the system, which in turn increases their usage of and feedback into the system. The Danish system is expensive but it has tried to ensure that no one is left out. As a result, school drop-out rates are low. For those who do drop out, a great effort is made to reinsert them into learning as quickly as possible; there is virtually no unemployment for youth under the age of 18, and little unemployment during the transition from school to work. For those young Danes who do experience unemployment, the spells are short.

Pre-vocational programmes in Germany have managed to raise the educational levels of low achievers enough to help them become eligible for and successfully complete a rigorous and demanding apprenticeship. Most young Germans (including the disadvantaged) who do not go beyond secondary schooling participate in an apprenticeship – in total almost two-thirds of young people.[10] Significant features of the German system are co-investment in training by workers and firms, co-determination of training programme content by unions, employers and the government, and nationally recognized certification of skills on completion of training. As a result, young people in Germany have experienced relatively low unemployment and high earnings after apprenticeship, and possess higher skills than in many other countries over the past two decades.

Japan has also been successful in maintaining unemployment among young people at low levels. As in Germany, its system has maintained high levels of educational attainment generally and has managed to raise the scholastic achievement of low achievers. In Japan there are direct recruitment linkages between schools and employers, and employers provide training to young employees as part of their lifetime career development. Despite some signs of erosion of the lifelong employment system in Japan, so far these institutions have managed extraordinarily well in keeping youth unemployment at very low levels.

In the developing world both the variety of existing institutional arrangements and the prospects for appropriate institutional development are often underestimated.[11] In East Asia state-led educational expansion and support for intensive, employer-based training has already achieved considerable success.[12] In Africa many countries still

[10] D. M. Gross: *Youth unemployment and youth labour market policies in Germany and Canada*, Employment and Training Paper 37 (Geneva, ILO, 1998); and W. Franz and W. Pohlmeier: "Young and out in Germany? On youth's chances of labour market entrance in Germany", in Blanchflower and Freeman (eds.), op. cit.

[11] T. Banuri and E. J. Amadeo: "Worlds within the third world: Labour market institutions in Asia and Latin America", in A. Fishlow (ed.): *Economic liberalization: No panacea* (Oxford, Clarendon Press, 1991).

[12] D. Ashton and F. Green: *Education, training and the global economy* (Cheltenham, Edward Elgar, 1996).

have large-scale, traditional systems of apprenticeship training, geared primarily to manufacturing and repair activities in the informal sector, and underpinned in many cases by sectoral employer organizations. It may be possible to build upon these traditional structures a flourishing, modernized apprenticeship system, an important component in vocational education and training, although efforts to import apprenticeship programmes that do not fit traditional systems have failed. In Latin America the tradition of high-quality training in public vocational training institutes provides a foundation upon which less monolithic and more market-oriented youth training systems may be developed.

A particular type of training undertaken in many developing countries is related to the promotion of *youth entrepreneurship*. Although not a panacea for youth unemployment (and possibly involving too much risk for young people to bear), youth entrepreneurship can assist in reducing youth unemployment and improving the employability of young people.[13] A key component of an effective youth enterprise programme is adequate skills training, business counselling and mentor support. In India, the Bharatiya Yuva Shakti Trust states that its most beneficial service to young entrepreneurs is creating one-to-one linkages along the lines of the Guru-Shishya tradition. The mentor, who is an interested professional, teaches, guides and promotes discipline among prospective entrepreneurs, monitors their progress, helps them solve problems, and generally assists in the development of the enterprise.

The role of labour market information and vocational guidance

Both labour market information (LMI) and vocational guidance have important roles to play, regardless of a country's stage of development. Improved knowledge about labour market opportunities – e.g. the nature and location of employment, wages and working conditions, and opportunities – and assistance in using such information are vital to improved labour market operations. LMI and vocational guidance are especially important for youth whose knowledge of, and exposure to, the world of work is limited.

The state of LMI and the practice of vocational guidance vary widely among and within countries. LMI may include information about such elements as current and projected employment (by occupation, industry and sector), working conditions (e.g. hours) and earnings, career pathways and job skill and competency requirements, training providers (e.g. NGOs, community and technical colleges), their course offerings and their labour market performance. Vocational guidance counsellors – who may be based in NGOs, schools, colleges or other training institutions – regularly make use of LMI to inform and guide young people (and adults) about job and career choices.

Both LMI and vocational guidance have become more important in countries that rely increasingly on market mechanisms to guide the allocation of vocational education and training resources. Active use of LMI and vocational guidance can have a significant effect on labour market outcomes. Longer-term employment and earnings' outcomes have been found to be significantly better for out-of-school youth (and adults) in programmes that use LMI to refer participants to jobs in demand industries and occupations offering career advancement opportunities and paying adequate

[13] See OECD background paper for the International Conference on Youth Entrepreneurship and Self-Employment, LEED Programme, 12 November 1999.

wages.[14] LMI usage by skilled guidance counsellors can also help to increase the quantity and quality of job matches between employers and jobseekers, reduce the spells and duration of unemployment and generally increase the efficiency of labour market operations.

To sum up, youth employment problems continue to cause concern in most parts of the world. In some respects they are worse now than they were 20 years ago. Many governments have focused on improving employability, on the assumption that if young people can become better equipped for work in terms of skills and attitudes, they will be able to compete better on the labour market and help generate more employment. The increase in general educational attainments, in vocational education and work-based learning, and the emphasis on work-based training in labour market programmes all reflect the quest for increased youth employability.

More education, general and vocational, has certainly helped individuals escape unemployment and underemployment, but it has not solved the youth unemployment problem as a whole, as additional policies are needed to stimulate labour supply and demand. Work-based learning has offered the best returns, but more in highly structured institutional contexts such as exist in Germany and Japan than through the proliferation of transient labour market programmes.

[14] Christoper T. King et al.: "Training programme success for adults and out-of-school youth: A tale of two states", in Burt S. Barnow and Christopher T. King (eds.): *Improving the odds: Improving the effectiveness of publicly funded training* (Washington, DC, Urban Institute Press, 2000). Such findings were reinforced by recent evaluation findings from a welfare-to-work programme.

CHAPTER IV

TRAINING POLICY AND SYSTEM CHANGE: GOVERNANCE, DIALOGUE AND NEW PARTNERSHIPS

INTRODUCTION

Many countries have pursued far-reaching reforms of their VET policies, systems and institutions, often as part of broader education reforms, to allow them to address changes in the labour market more effectively, to meet the challenges ahead and to overcome major shortcomings of their existing systems. This policy shift has been engendered by a structural adjustment and fiscal crisis in many developing and transition economies, and by a redefinition of the State's role in economic and social life in many others. Some countries have advanced further on the path of reform than others. A few, for example Australia, Chile, South Africa and Tunisia, have been more ambitious, committed and innovative than the rest. However, most countries need to overcome considerable inertia in their existing systems, effect widespread change in both individual and collective behaviour, and transform the foundations of training and lifelong learning to meet new social and economic objectives. The governance of human resources development, training and lifelong learning is *the* critical issue that demands a new commitment by the social partners to skill and competency development for the entire labour force. The 1996 Copenhagen Declaration on Social Development recognized that democracy and transparent and accountable governance and administration are the foundations of social and people-centered sustainable development.

SOURCE AND TRENDS OF TRAINING POLICY AND SYSTEM REFORMS

In countries that have progressed furthest, VET system reforms have been guided by four major objectives that address some of the most challenging HRD and training issues: (i) improving access to, and the quality of, basic education as a foundation for individuals' employability and trainability; (ii) reforming the training system and the institutions and programmes that are charged with enhancing people's mobility and flexibility in the labour market; (iii) reforming and expanding the supply of specific job-related training that helps individuals to gain, retain and improve continuously their position in rapidly changing labour markets; and (iv) improving VET outcomes for groups that have hitherto been denied access to it and have consequently been relegated to low-quality jobs and to limited job opportunities in general. However, there are still great difficulties in achieving these objectives fully, implementing the needed institutional changes, generating a new social and economic commitment among the social partners, and taking advantage of the changes in the world of work (e.g. learning organizations) and of the new information and communication technologies to raise the level of training. The thrust of these reforms in various parts of the world are reviewed below.

Demand-driven changes: Training as an investment

The purpose of the reforms has been to bring about a system, or *paradigm*, shift so as to make training institutions and programmes responsive to economic demand and social needs rather than to supply considerations alone. Many of the existing programmes have continued in existence irrespective of whether they meet the needs of enterprises and individuals. As training expenditure competes with other investments, it has to be justified by demonstrating that it meets certain economic and social criteria: ensuring adequate training outcomes such as employment and productivity improvements, providing a satisfactory individual and collective return on training investment, ensuring a high standard of training output and ensuring that institutions and programmes are able to respond quickly to changes in market demand and social needs.

Expanding private and enterprise training supply. Improving the responsiveness of training programmes to changes in labour market demand has been an important objective of many countries' VET reforms and has given rise to the expansion of training by private training institutions and enterprises. Private sector training tends to be more market-oriented and has generally been able to adjust better to changes in demand. By creating a favourable environment, i.e. by fostering economic growth, providing tax incentives, improving the trainability of young people through better basic education, etc., governments have been encouraging the private sector to invest in initial and continuous training by offering tax credits, payroll levies, rebates and other incentives. As the private sector has thus assumed a greater role in occupation and work-specific training, governments have been able to concentrate public resources in areas where the public sector has a comparative advantage, i.e. basic education and initial, general employability training.

In some rapidly expanding economies, particularly in East Asia and Latin America, the demand for skilled workers and technicians has often outstripped supply, and the widening earnings gap between skilled and unskilled workers has become a major public concern. Upgrading workers' skills has become a critical issue, and enterprises are increasingly expected to supply their own training. The question remains, however, whether firms should be obliged or merely encouraged to provide such training. Data from Indonesia, Malaysia and Mexico show that enterprises are more likely to provide training if they are large, have educated workers, and invest in new technologies.

Strengthening the links between enterprises and training institutions and schools. Reforms in many countries have promoted increased collaboration between schools or institutions and enterprises. In some cases, they have focused on alternating periods of training and periods of apprenticeship; the schools and institutions concentrate on improved training for general employable skills that are portable, while the enterprises take over the practical, enterprise-specific training. A new policy environment, a general change of perception, and enterprises' participation in decision-making boards at the school, institution and sectoral levels all encourage this new complementarity between schools and enterprises. The reforms have thus improved the quality of training and reduced its costs, as the provision of costly equipment-intensive training has been shifted to the enterprises.

However, some countries have no enterprise training tradition and a deficient education and training infrastructure, and directly transposing existing training models

(such as Germany's dual system) to countries like Indonesia and Togo has had mixed results. A more effective means of developing workable enterprise/institution partnerships may be to engage in social dialogue to explore and implement collaborative arrangements that are adapted to the country's particular needs and circumstances and to the capability of the partners.

Decentralization of training decisions. Training system reforms have endeavoured to decentralize the policy-making, programming and management of institutional training to the regional, sectoral and local level, and even to individual training institutions. The improved responsiveness of programmes to local labour market needs is the major expected benefit of decentralization, particularly in countries that have already decentralized their public administration in the course of democratic reforms – in Africa, for example.

Output-based financing of training. This can be a powerful incentive for public and private providers to improve the quality of their training and its fit with enterprises' needs and the demand generated by employment and social policy programmes. In the United Kingdom and United States, the availability of state subsidies depends on the training providers' record in placing and retaining graduates in employment rather than simply on enrolments or on hours of instruction. However, institutions cannot rely exclusively on output-based funding, as they have no influence over the availability of jobs in the labour market. Moreover, they may be tempted to select only the best and most employable trainees for participation in their programme, which would of course defeat the object.

Addressing the problem of unemployment

The phenomenon of rising unemployment has been common to Europe, countries in transition and many developing economies.

For their part, the transition economies have had some success in addressing the problem of mismatched training supply and demand. In Hungary, for example, the evaluation of retraining programmes suggests that the reform of school curricula, the broadening of their general content and the postponement of the age of vocational specialization have resulted in better worker-enterprise matches. On the other hand, countries have had less success with the training of unemployed workers, especially as few job opportunities are available to absorb them.

Faced with rising adult unemployment, many developed countries have injected massive resources into labour market training. Moreover, the right to unemployment benefits has often been linked – albeit with only modest success – to an obligation to undergo upgrading training or retraining. Training programmes are most likely to be successful when:

— they are based on careful analysis of demand for new skills, so that they facilitate the transition from unemployment to jobs in growth industries and occupations; this analysis may come from labour market and training information systems, from sectoral, regional and local councils, or from economic forecasts;

— the length and quality of training is sufficient to provide a qualification that is recognized and valued by employers, and thus a genuine change in job prospects;

— they have strong links to production systems, by means of employer sponsorship or by having a substantial workplace component; and

— measures to deal with unemployed and displaced workers are negotiated and agreed upon by the parties concerned.

Many countries are introducing *modular, competency-based training programmes* that facilitate workers' mobility between firms and occupations. Belarus, the Russian Federation and Ukraine, for instance, use the ILO's Modules of Employable Skills (MES) to improve training for the unemployed. MES is a demand-driven, job-oriented, flexible training methodology that provides for competency-based job analysis, assessment of actual needs of trainees, trainee-centred learning and specially designed instructional material. It facilitates the development and provision of training and retraining to meet the specific needs of different target groups, mainly adults, who usually cannot be trained in a traditional way. As the experience in these countries suggests, this methodology offers better access to, and improved effectiveness and efficiency of, employment-related training and retraining, resulting in improved labour market outcomes for the unemployed.

Improving the quality and efficiency of training

Quality considerations are increasingly applied to training programmes and used as criteria for allocating training resources, as competition is intensifying between training providers, particularly in the market for continuous training. Quality assurance is achieved by using performance indicators for monitoring training institutions and programmes. The indicators provide consistency, comparability and feedback on good practice to support future development and planning. In some countries (e.g. France, Germany), ISO 9000 quality processes are being increasingly used to ensure training standards and enterprise efficiency. Training providers that compete in the market for continuous training, e.g. in the European Union, seek ISO 9000 accreditation. In other countries quality assessment is based on benchmarks reached or the satisfactory completion of certified, modular curriculum units (e.g. United Kingdom, United States). Internal quality control mechanisms used in assessing training institutions combine autonomy and quality assurance and are attractive to both public and private providers. The information given by employers on the capacity and competence of those hired after they have successfully completed training programmes are also frequently used as measures of programme quality.

Certification of workers' competencies and skills is the parallel of quality control at the individual level, and is becoming increasingly important in the shift towards market-based provision of CET with numerous providers. The objective of certification is to make internal and external labour markets transparent, facilitate equitable access of workers to, and mobility in, labour markets, and promote portability of skills and efficient human resources management (HRM) in enterprises. It is also an important tool for improving the relevance of initial and continuous training (both formal and informal), targeting training on groups with special needs, and enhancing and facilitating guidance during a worker's career.

Many countries (e.g. Australia and Mexico) and economic subregions such as ASEAN are introducing new methodologies and systems for validating and recognizing prior learning and non-formal acquisition of skills and competencies, in collaboration with the social partners. In Japan the recent gradual shift away from lifetime employment with a single firm has generated a need for a review of the country's well-

developed enterprise-based mechanisms for recognizing prior skills and competencies. The EU has introduced a "competency passport" and emphasized the validation and assessment of transferable skills in different work contexts. In Latin America and the Maghreb countries, existing systems of skill certification are having to be reappraised in the light of the new emphasis on competencies.

Increasing investment in training and sharing the cost

Human capital is increasingly seen as the major determinant of the wealth and well-being of nations and their people. The experience of several Asian economies demonstrates that effective use of the education and skills of workers is dependent upon market demand for their services.[1] This demand is likely to shift rapidly. The severe crisis in Asia and some Latin American economies recently showed that investment in new skills development should be undertaken *continuously* in order both to assist laid-off workers in finding new jobs and to enable those still working to retain their jobs. Such investments are particularly important for workers in countries that provide little employment protection or security.

It is often claimed that countries underinvest in their human resources. Structural adjustment, fiscal crises, and the gradual retreat of the State from direct financing of training has greatly reinforced this claim. Enterprises and individuals are increasingly expected to shoulder a large share of training investment. Non-traditional sources of investment are being tapped and new cost-sharing arrangements between the State, enterprises, employers, workers and jobseekers are being devised to increase and diversify the resource base for training.

While continuing to support initial and general employability training directly, public policy is particularly aimed at encouraging enterprises, individuals, private training providers and others to invest more in job-related and continuous training through the use of financial and non-financial incentives. Some policies are also encouraging public VET institutions to mobilize additional financing at the local level in order to expand the overall resource base for training.

Some countries (e.g. Chile, Sweden) have partially privatized their training system. Public training institutions are expected to sell their services on the market in order to raise part of their resource needs. In order to do so effectively, institutions have to become performance oriented. They need to have a new status, adopt new managerial practices and change the contract conditions of training staff. Public authorities can also make the financing of VET conditional by requiring that the beneficiaries, i.e. the enterprises and individuals, cover part of the training costs in the form of "matching funds" or by "co-financing". Governments use such incentive programmes particularly when they want to encourage the introduction of new training programmes.

Public policy-makers in many countries have commonly used *levies*, adding a new source of financing training without seriously undermining existing sources. However, levies typically require considerable management capabilities and present the additional difficulty of monitoring and evaluating the training undertaken. They have proved quite effective in middle-income countries, where enterprise capacity and administrative capacity are sufficiently developed. They are particularly appropriate

[1] D. Mazumdar and P. Basu: *Macroeconomic policies, growth and employment: The East and South-East Asian experience* (Geneva, ILO, 1994).

for continuous training and retraining, and when training funds managed by the social partners allocate the resources according to quality, relevance and equity criteria. However, it is the large, rather than the small, enterprises that tend to benefit from levies and incentives such as levy-exemption and levy-grants schemes. Large firms have the capability and resources to set up their own training schemes, tailor programmes to their specific needs and thus build up staff loyalty. These are elements that are often missing in small enterprises.

Voluntary *collective agreements* are increasingly being used to raise enterprise contributions over and above any compulsory contributions. This is particularly the case in those middle- to high-income countries that have a well-developed enterprise sector and a functioning collective sectoral or industry-wide bargaining system, and where both employers and workers understand the importance of training for maintaining productivity, competitiveness and employability.

VET reforms have increasingly solicited *individuals* to pay, wholly or in part, for their training. The principle that the beneficiaries should pay has traditionally underpinned apprenticeship training. Having part of the training cost borne by employees is a powerful incentive for enterprises to train, and considerable additional training may result. Many developed and developing countries are exploiting this source of financing in post-secondary engineering and technical training as well.

Thriving proprietary training institutions are witness to the willingness of individuals to invest in their own training in low- and middle-income countries, too. However, high and rising tuition costs may prevent poorer students from gaining access to and participating in training. A number of countries have therefore introduced scholarship programmes, subsidized training loans and removed distortions between vocational education/training and general education subsidies or fees that may discriminate against VET students. The scope for individuals to pay for their training is particularly great in such rapidly growing skill areas as information technology, including software programming and electronic maintenance. In poorer developing countries like the United Republic of Tanzania and Zimbabwe, private training markets have grown rapidly, buttressed by buoyant social demand for training.

Governance and partners in training: Towards new roles and responsibilities

The persistent failure of government-provided training to produce the desired outcomes and respond to the needs of the market, and the failure of enterprises to ensure broad-based, equitable access to training opportunities are putting pressure on decision-makers to search for new training policies and governance structures. Policymakers increasingly recognize that the responsibility for HRD and training should be shared in partnerships between the State, enterprises, the social partners and individual workers. The State's role should be to determine the long-term objectives of human resources development and to formulate policies, in collaboration with the social partners, that create the enabling environment for shared investment in, and provision of, training that is both effective and equitable. In refocusing its role, the State should concentrate on proactively developing workers' general employability through basic education and initial training. Enterprises and individuals should take joint responsibility for, and invest more in, maintaining employability, by means of

continuous education and training. Enterprises will need to take primary responsibility for much work-specific initial training in order to make the transition from school to work easier. In addition, the State has an important *mitigating* function that needs to be reinforced, namely facilitating access to training opportunities for unemployed workers, women, and workers with disabilities and special needs, all of whom have traditionally been poorly served. Increasingly essential therefore is the creation of an institutional framework, environment and culture that encourage continuous dialogue in pursuing these proactive and mitigating objectives of training. The social partners in many countries, particularly developing countries, need to improve their capacity to engage in meaningful dialogue on training. This need was widely recognized by the ILO's consultative tripartite regional meetings on human resources development and training held in 1999.

New role sharing between the State and the private sector

Recently, the redefinition of the State's role, the increasing prominence of the private sector, the trend towards democracy and the growth of civil society in some transition and African countries have accelerated the process of VET reforms and provided a new basis for its governance. When reviewing and adjusting VET policies, a frequently asked question is: what should be the role of the State, the enterprise, the workers and the civil society in VET governance, financing, provision and evaluation?

The transition from state-controlled, centralized and supply-driven VET to a decentralized, more market-driven system tends to be gradual. There may be differences in governance and other aspects of VET between sectors, industries and regions within a given country. In practice, the respective roles of government and the private sector in providing VET will depend, inter alia, on a country's level of economic development, on the strength of its private sector and on the perception of the government's core function. Supply-driven, state-dominated VET is still common in lower-income developing countries where the private sector and training market are poorly developed, while demand-driven, market-oriented VET is rapidly gaining ground in industrialized countries.

Two major considerations underlie the State's role in training. First, it has the responsibility to ensure that all citizens have equitable access to education and training. Secondly, the State must bear at least part of the cost of training, since society as a whole benefits from its provision. Governments' main concern has been to provide education and initial training for youth, and training and retraining programmes for the unemployed and the disadvantaged.

The private sector has traditionally played a major part in developing the knowledge and skills that it needs. In many developing and some developed countries apprenticeship continues to be a major source of training. It is the basis for many of the VET reforms and for the building of new partnerships between the State, training institutions and enterprises, both in the modern and in the informal sectors. Structured and regulated apprenticeship systems, such as Germany's dual system and alternating training in France and other European countries, are excellent examples of public/private collaboration in training. These systems combine on-the-job training by enterprises with vocational education and training in schools and institutions. Nevertheless, the extent of the private sector's participation in VET has varied widely from country to country.

The growing need for continuous training throughout a person's working life has encouraged governments to engage the private sector further in VET and to develop market-driven training that is more responsive to demand. Training content is being linked to enterprise needs and costs are being charged to the beneficiaries. Quality criteria are increasingly applied in training in order to improve its effectiveness. Central public training authorities are playing a lesser role, and a variety of regional/local and sectoral/industry bodies a larger role, as training providers. The private sector is also being asked to participate in the development of training policy.

In some countries (e.g. Chile, United Kingdom and United States) most training is driven by the private sector, while the government establishes the overall framework and provides the necessary incentives to encourage collective efforts. Public VET institutions are subjected to many of the same market forces as private providers. Local authorities, sectoral and industrial bodies and even individual institutions are increasingly assuming responsibility for training programme development.

With the expansion of industry, autonomous vocational training institutions (VTIs) have been established outside the formal education system throughout the world and may be publicly owned, or privately owned by voluntary non-profit organizations, by proprietary agencies operated for profit, by enterprises, or by associations of employers, in the case of small enterprises and artisans. Many large enterprises, recognizing the importance of a well-qualified workforce and dissatisfied with the quality of workers' training provided by the VET system, have set up their own training centres. They also pursue their own human resources management and training policies and provide training for their suppliers and their branches overseas. Collectively agreed-upon training plans are prepared when there is major industrial and employment restructuring.

Private stakeholders and their comparative advantages

Because *enterprises* are market-driven and need to respond rapidly to change, they tend to possess precisely the quality that state-driven VET systems lack: the ability to provide practical, on-the-job skills that reflect market requirements. Enterprise training is often relevant, effective and efficient. However, many enterprises are primarily driven by short-term objectives to increase productivity and profits. Enterprise training tends to be job-specific, often focused on better-skilled workers, and does not necessarily enhance the individual's flexibility and labour market mobility. It may also ignore training needs that have long-term strategic importance to the economy as a whole. Enterprise training tends to exclude the unemployed, the self-employed and informal sector workers. The role of *employers' organizations* can be important in voicing enterprise concerns and in influencing training policy and governance, drawing attention to the need for long-term investment in continuous training and encouraging learning within enterprises. In the private sector various employers' organizations and chambers of commerce, special associations for small enterprises, etc., are operating at the national, sectoral, industry and local level.

The *non-profit voluntary sector* has the advantage of being able to reach the grassroots level effectively even in remote areas and to provide access to training for the poorest and most disadvantaged population groups. These areas and groups tend to be of little interest to most enterprises and cannot be easily reached by mainstream public providers. However, voluntary agencies have often provided training with little or no

impact. Public policy needs to support enhanced capacity building in the voluntary training sector.

Workers and trainees have a major role in managing their own learning and investing in personal development. *Workers' organizations* and workers' councils can do much to ensure that their members have access to broad-based and portable skills training that enhance their mobility. They can also give a voice to those who are not formally employed – the unemployed, the self-employed, informal sector workers – and promote a learning culture among workers.

Core functions of the government and enhanced role of the private sector

A major task of the *State* is to create a supportive environment for enterprises and individuals to invest in training by pursuing economic policies that sustain economic growth and employment creation. It can also promote a broader and longer-term perspective in national training policy and ensure a balance between efficiency and equity in training. The government may also be a major training provider. Government agencies are often engaged in national, regional and local education and training activities covering development planning, education, rural and industrial development, health and agriculture.

Innovative government/enterprise partnerships throughout the world highlight the significant impact that joint collaborative action can have on policy-making, training provision and cost-sharing. Such partnerships have been particularly useful when government spending cuts and enterprises' cost-saving measures have deterred training investments, and also when employment uncertainties and market imperfections have discouraged individuals from financing their own training. Decentralization has promoted institutional autonomy and efficiency and has encouraged the collaboration and active involvement of multiple stakeholders at the local level. It has also led to improved cooperation and communication among education and training institutions.

Enterprises tend to concentrate on job-specific training of their own core employees. Small and medium-sized enterprises provide training mainly to induce rapid improvements in productivity. For the private sector to assume its new, complementary role in training, the full capacity and potential of enterprises to train workers needs to be taken advantage of. It is incumbent on governments to promote an HRD and training culture among the social partners, and to provide incentives that will encourage enterprises to commit themselves to, and engage in, the desired levels of pre-employment and continuous training.

Developing an institutional framework and the capacity of actors for dialogue and partnership

Decentralized structures and strategic partnerships increasingly underpin many countries' training systems. A prime objective is to bring about a common culture of learning and training, involving government, enterprises, individuals and civil society. The question is whether the private sector is willing and able to assume more of the responsibility for training that has traditionally been the government's and to help it refocus on its core tasks of regulating, promoting and facilitating training and play its mitigating role more effectively. In any case, the State remains accountable to its citizens for the overall quality and outcomes of training, particularly when it is financed

by public money. Governments must also compensate for market imperfections that bias access to training, particularly among those with special needs.

A tradition of tripartite and bipartite dialogue and negotiation on social issues has generally proved decisive in building effective training partnerships. This has been the case particularly when decision-making has been devolved to individual sectors and enterprises. Governments are less and less engaged in supervising and directly providing training. Instead, they focus their activities on policy-making, quality control and regulation. They also promote social dialogue in training by bringing together various interest groups and expertise in order to establish common understanding regarding what training to provide, for whom and by whom. Industry-led advisory groups at national and regional levels, training funds and encouragement of competition between providers have been used to promote social dialogue on training.

A combination of demand-driven training, designed in collective partnerships between directly affected groups, and government support and monitoring has been a proven formula for providing effective and efficient training, on the condition that there is also: little bureaucracy and clear definition of new roles, tasks, targets, responsibilities and expectations of organizations and individuals comprising the decentralized structure; management and accounting proficiency; flexible procedures to monitor and report on spending and costs; decision-making based on specified objectives and priorities rather than those of special interest groups or self-interest; an effective labour market and training information system; a transparent system to evaluate training programme performance; and certification. Decentralization requires that members of the local community understand the government's new role as a broker and partial financier of training and also the responsibilities and accountability of the various actors in the new, more decentralized training structure.

A culture of social dialogue and collective agreement (voluntary, or compulsory as in France) to resolve social, employment and work issues at the enterprise, sectoral or national level have promoted the social partners' participation in policy development and joint investment in training. Being mostly non-controversial, training has been a catalyst for constructive tripartite or bipartite social dialogue, and collective bargaining, on other social, economic and labour issues. A good example is bipartite bargaining on continuous training in Spain, which has resulted in a national agreement with the Government. Dialogue on continuous training has also produced results in developing countries where democracy has gained ground recently, particularly in Africa.

Dialogue needs to be extended, and should promote new goals, for example furthering workers' employability and the integration of all in the new knowledge and technological society.

Training for groups and sectors with special needs: The role of the partners

In developing countries large modern sector enterprises employ only a small fraction of the workforce; the bulk of the labour force is beyond the reach of enterprise-based training programmes. In the industrialized countries, large enterprises employ fewer and fewer people, and growing numbers and groups of workers have little or no access to training opportunities. These groups include: young people, women, displaced workers and workers at risk of losing their jobs, part-time and homeworkers, and workers with special needs (e.g. workers belonging to ethnic minorities or with disabilities).

For new labour market entrants training must enhance their general employability and familiarize them with the world of work. Displaced workers and the unemployed need to be retrained to facilitate their reintegration into the labour market. The low-skilled and long-term unemployed, in particular, need training that improves their employability. Training targeting the unemployed and the displaced should be part of comprehensive support services to assist them in finding, securing and retaining jobs.

Targeted government-sponsored training schemes are often the only opportunity available to these groups. These programmes can promote equity in labour market outcomes by helping the most disadvantaged to become more employable. However, government-sponsored training has not always achieved this objective. Such training must be relevant, i.e. provided in those skill areas for which there is a known market demand, and must provide entrepreneurial and business skills training that will help people become self-employed. Training alone cannot ensure favourable outcomes unless supported by other measures and labour market programmes. A favourable macroeconomic environment that boosts and maintains the demand for labour is essential.

Labour market training programmes directed towards groups having special needs are most effective when they are closely linked to enterprises' competency and skill needs. Enterprises must therefore participate in identifying skill shortages and future training needs. Governments can introduce incentives that encourage enterprises to provide members of those target groups, in particular young people, with adequate exposure to the world of work as part of labour market programmes.

In many countries *small enterprises* typically offer little training to their workers. Many factors discourage training in small enterprises including lack of time for training, high opportunity costs, limited technical capacity and financial resources, fear of "poaching" by larger enterprises, and little awareness of the benefits they can draw from having a trained workforce. Workers in micro- and other informal enterprises, small farmers and casual rural sector workers have even fewer training opportunities. Small productive units need training in order to become competitive, to establish links with larger enterprises as clients, suppliers and subcontractors and ultimately to compete effectively in international markets.

Large enterprises increasingly establish partnerships with smaller enterprises in the product/service supply chains. The production of inputs is more and more subcontracted to small and micro-enterprises. Also, small enterprises are contracted to manage the sales and distribution to the consumer of final products and services. In both cases large firms, often multinationals, provide training, product improvement and other essential services to enterprises in their supply chain, while demanding that these adhere to their stringent standards of quality and delivery dates. Supply chains can be a powerful channel for the diffusion of modern technology, management practices and skills among small enterprises. In Singapore, for example, the Singer sewing machine company has been instrumental in establishing a new local industry through training and competence-building programmes.

Again, training is just one element of a comprehensive support and incentives package for small enterprises. Small productive units can survive, expand and generate employment, provided they introduce more advanced technology and continuously improve product quality and management practices. None of this can be done without a skilled and competent workforce.

LABOUR MARKET INFORMATION AND VOCATIONAL GUIDANCE

Labour market information is an increasingly important resource to guide collective and individual investment in building up individuals' employability and a competitive, flexible workforce. Often, the quality and timeliness are more important than the quantity of the information supplied. It must also be carefully targeted to meet the needs of particular client groups. Rapid changes in the nature of work and labour market conditions make the qualitative dimensions of labour market information even more important. Consequently, the ILO has recently developed a set of *key indicators of the labour market* (KILM), in both qualitative and quantitative terms. KILM's major objective is to improve the international comparability of labour market information and to assist policy-makers and consumers in making informed decisions regarding employment and training programmes and in evaluating their effectiveness.

Labour market and training information

Increased attention is focused on providing relevant, up-to-date and reliable information and analytical outputs on a wide range of employment, training and other labour market phenomena which can guide the decision-making processes of governments and the social partners. The information needs of the various actors are briefly reviewed below.

— *Employers, enterprises and workers* need information on the skill composition of the current labour force and on likely changes in skill demand over time to guide their investment, training and retraining decisions.

— *Training decision-makers* need information to guide their decisions regarding training programme design and content. *How are new technologies and ways of organizing work changing occupations and skills? What are the training and retraining implications? Which skill areas are likely to grow and which decline?*

— *Education and training policy-makers* need information on likely developments in labour markets and on how these are expected to influence the demand for training and retraining. Studies providing information on trainees' labour market experience can assist in future training programming.

— *Ministries of labour, planning and social development,* among others, need information about groups of people targeted for assistance. They also need information on the likely impact of proposed policy measures on job creation and job destruction and their implications for training and retraining. Furthermore, they need information that will help them evaluate the impact these measures may have on groups with special needs to guide them in designing compensatory programmes, including training and retraining.

— *National, regional and international institutions and individuals* require access to labour market and training information. Vocational guidance and information is needed by individuals, vocational guidance specialists in educational and training institutions, and employment services. Labour market information is also used for guiding technical cooperation activities in training.

The traditional manpower-requirements approach to determining training priorities has been abandoned in most countries and replaced by continuous monitoring of

labour market developments and by using labour market signals to identify the necessary policy and programme responses and evaluate their impact.

Many developing countries are endeavouring to improve their capacity to collect, process, analyse and disseminate up-to-date, reliable and relevant labour market information. Institutional frameworks and mechanisms – i.e. labour market information systems (LMIS) – use a variety of means to analyse this information. The LMIS in some (particularly francophone) African countries incorporate "employment and training observatories" that generate and disseminate analytical products (e.g. studies) that can influence employment and training policy and programme formulation, monitoring and evaluation. In situations where data are not available or are of poor quality, the observatory has generated these data.

Countries endowed with training and employment observatories still lack the capacity, analytical expertise and financial resources to make them operate effectively. The scope, reliability, relevance and timeliness of the data produced remain inadequate. Increased emphasis needs to be placed on capacity building. Policy-makers and the social partners need to be given appropriate tools and instruments for data collection and analyses, access to training and other forms of practical technical support in applying these tools, and assistance in emulating the successful experiences of other countries, where feasible. In some countries (particularly in Africa), data collection activities have been hard hit by budget cuts introduced as part of stabilization and structural adjustment programmes. Any effort to strengthen LMIS in these countries will need, among other things, higher awareness of the importance of data collection and analysis in these fields. Cost-effective approaches to data collection need to be developed that can make it more affordable and sustainable. Collaboration between producer institutions and between producers and users can help avoid costly duplication of efforts.

Employment and training observatories have a mixed record. In some countries (particularly in the European Union) they have been relatively successful. In others, observatories still need continuing support in carrying out their functions. Some countries lack the appropriate institutional framework to exploit the information generated. Limited use is made of available information and consequently there has been little justification to expand or even maintain data collection in these areas. Officials in statistical offices and ministries of labour have therefore had little incentive and means to improve existing databases. Countries need support in identifying and putting in place an appropriate institutional framework for data analysis and decision-making.

Other areas of concern that need to be addressed include the technical capacity of staff, identification of clientele and information needs, and the production and dissemination of outputs to meet these needs. In-depth evaluations need to be undertaken to analyse the successes and shortcomings of the observatories and to be used to strengthen national capacity to sustain LMIS for collective and individual decision-making in employment and training.

A new role for guidance, counselling and recognition of skills and competencies

Massive changes in the labour market are leaving people's working lives in a state of permanent flux. These changes significantly alter the role that career development services need to play. Students increasingly need (and parents expect) services that motivate them to complete school and make sound decisions regarding the pursuit of

further education and training opportunities and their subsequent careers. Openness to lifelong learning, increased personal responsibility, flexibility and adaptability, although important at every stage of a career, are now essential attributes for graduates and entry-level workers. Increasing numbers of workers need assistance in making informed labour market decisions, in assessing their competencies (the *bilan de compétences* is now common practice in France) and in acquiring the employability skills needed to become and remain successful in the labour market. There is an unprecedented demand for career development services to assist in managing change effectively.

Career development services, as they have evolved in many countries, encompass several specialities:

— *Career education*, which is now in the core curriculum of schools and post-secondary institutions, helps students understand what motivates them, what they value, and how they can best contribute to society. It gives them knowledge about the labour market, skills to make sound choices about education, training, and work options; and career planning tools.

— *Career counselling*, provided by community agencies and private practitioners, helps individuals clarify their aims and aspirations, make informed decisions, manage career transitions, cope with unplanned career changes (including sudden unemployment) and manage their employability.

— *Employment counselling*, provided by public employment services, local employment agencies and outplacement organizations, helps individuals clarify their employment goals, understand and take advantage of job opportunities, make sound decisions about upgrading and retraining, learn the skills they need for jobs and maintain them.

Vocational guidance: The changing role of public employment services

Career development services are provided in many different places: classrooms, guidance offices, human resource departments, community agencies, private practices, and employment agencies. However, governments provide for national coordination and leadership in building career development services, particularly through public employment services (PES). Increasingly, they exploit new information and communication technologies.

In the wake of rising unemployment, the PES in many countries employ new information and communication technologies to develop on-line occupational and career information and guidance for jobseekers. Canada and the United States are examples of advanced and comprehensive systems.

In the United States, there are over 28,500 Internet websites with job-posting services; on any given day, there will be over 1 million registered jobseekers and over 1 million posted jobs. America's Job Bank (AJB) is by far the largest of these sites with over 2.5 million "hits" per day and over 800,000 registered jobseekers. O*NET, the Occupational Information Network, is another site that contains comprehensive information on job requirements and workers' competencies. These services offer employers a powerful tool for accessing critical information. Future data will come directly from workers and employers themselves, describing the work they do, the skills they need, and the knowledge they use on the job.

In Canada, the Electronic Labour Exchange (ELE) is an employment service that matches work to people and people to work. Using a checklist, employers create a profile of the position they need filled and identify the skills, education and experience they are looking for. Jobseekers create similar profiles, using a skills checklist to describe their skills, education and experience. ELE uses this information to make a direct match. In about 80 per cent of the cases employers find a suitable match for their initial request and do not need to advertise the position further. In case of an imperfect match, and if the employer decides to recruit a worker with an inadequate profile, ELE helps in identifying her/his skills gap and training needs. WorkSearch, another easy-to-use Internet site, is designed to help jobseekers through all aspects of looking for work.

In summary, many governments and social partners have recently pursued training reforms that have been triggered by transformations in labour markets, introduction of active labour market policies and the need for proactive measures to keep the economy and the labour force internationally competitive. At the root of the policy reforms has been the redefinition of the State's role in education and training. Reforms have endeavoured to make training demand-driven by giving the private sector and autonomous organizations more say at different levels. In many developing and transition countries, where democracy has gained ground, social dialogue and partnership in training is gaining ground too. However, lack of institutional and technical capacity, of sound labour market information, of skill and competencies recognition mechanisms and of financial support limits the scope for social dialogue. Many groups with special needs, such as workers with a low educational level, women and workers in rural and informal sectors and small enterprises who are less organized, are still unable to benefit from present reforms. National, regional and international efforts should foster social dialogue on training and establish formal and informal strategic partnerships at all levels. Experience suggests that social dialogue has effectively promoted the adjustment of HRD and training policies to new socio-economic challenges. At the same time, structural changes and developments in the governance of HRD and training should be strongly supported, and there should be a new commitment by the social partners to invest in training.

CONCLUSIONS

This report has examined the human resources development and training dimensions of the gradual, but inexorable, shift towards knowledge-, skill- and service-based economies and societies in the world, and the stupendous growth of the information and communications technology sectors. Understandably, the shift has been most pronounced in those countries that have, over the years, established a stronger human capital base than others. Nevertheless, irrespective of their levels of economic, social and human capital development, all countries will, for better or for worse, feel the impact that globalization, technological change and other forces exert on the world of work and on the demand for workers' skills and knowledge. By the very nature of the unfolding global economy, even the most remote and hitherto untouched areas of economic and social activity may no longer escape the reach of these changes. However, countries', enterprises' and individuals' endowment of human capital largely determines their ability to seize the opportunities that greater access to worldwide markets, new technologies and ways and means of producing goods and services offer them, and so create decent, quality employment for all.

On the other hand, these global trends also provide countries, enterprises and individuals with a great opportunity to raise their human capital, provided that the right human resources development policies are pursued and are supported by the international community, including the ILO in its standard-setting and technical activities.

The report has examined the growing demand of enterprises for enhanced knowledge and skills of workers in keeping with technological and workplace changes, and their lesser demand for poorly educated and unskilled workers. In addition, workplaces increasingly call for social and behavioural skills and attitudes that were not needed in yesterday's specialized and Taylorist factories and offices. Increasingly, employability demands a background of quality basic education, an ability to work in a team, flexibility and a desire for "learning-to-learn" as work and technology change.

Some countries are better prepared to meet the challenge than others. The mature industrial, and rapidly industrializing, countries have a long history of basic education that is accessible to most groups in society, broad-based VET and growing CET systems. Yet, notwithstanding some successes in developing new competencies and skills, the accelerating pace of technological and workplace change has exposed the inertia of the traditional systems and their tendency to provide training only for a few select workers – often those at the top of the organizational hierarchy. Such practices have contributed to labour market polarization. Large numbers of workers – particularly women, young workers, workers belonging to minority groups, and workers laid off in industrial restructuring – have seen opportunities for better, skilled employment pass them by, for lack of general employable skills and specific technical skills adapted to market requirements. These workers have, at best, access only to low-paid, insecure and inferior jobs, and run the risk of permanent social exclusion. Education and training – as part of the economic and social policies and programmes targeted at these workers – are essential if they are to improve their employability and gain access to (and retain) decent jobs.

The workforces of the transition economies are relatively well-educated. The major challenge facing them is to overcome the skills mismatches generated by massive economic restructuring, the introduction of market-based economic organization, and growing exposure to international competition. Active human resource development policies need to engage enterprises and training institutions in replacing supply-driven training systems, often based in non-competitive large enterprises, by demand-driven training and retraining to meet the requirements of fundamentally transformed labour markets and new sectors and enterprises. Such policies will help these countries to participate effectively in the international economy.

Many developing countries, particularly the poorer ones, have often been the losers in the increasingly integrated world economy, lacking the necessary human capital, knowledge and skills that would enable them to exploit emerging market and production opportunities. They face the major challenge of extending basic education to all – a right still largely unfulfilled – in order to provide the minimum base for building peoples' employability and trainability. They must also improve the relevance, effectiveness and reach of their HRD and training systems so that they meet the economic and social needs of their economies and people more satisfactorily. They face a dual task. First, they must train workers in the new skills and competencies that are needed in their restructured modern sector enterprises. Second, their training policies and programmes must cater to the skills needs of entrepreneurs and workers in small-scale enterprises and in the rural and urban informal sectors where, for lack of skills and other inputs, large numbers of people are underemployed and earn a meagre living in low-productivity, low-income work.

This report argues that, depending on their level of economic, social and human capital development, countries should pursue a dual human resources development and training objective that combines a proactive, or developmental objective with a mitigating, or social objective. All partners have an interest and stake in contributing to this dual objective.

In pursuing the proactive, developmental objective, countries must develop and nurture their ability to seize the opportunities afforded by the globalized economy, new technologies and the transformation of society. In this new environment, human capital is becoming pre-eminent. Countries need to multiply their efforts to ensure that all people have access to quality basic education and initial training that build up their employability, their portable skills and their capacity to assimilate new technologies. They must also develop basic social and technical skills, so as to facilitate entry into the labour market and enhance people's lifelong learning capability. The employability of young people, in particular, can be promoted in schools and training institutions by strengthening the educational content of basic education and initial training, while involving employers and the enterprise sector in the provision of occupation-specific, work-based training and exposure to the world of work. This general model of initial training – characterized by strong links between schools and training institutions and enterprises – can do much to smooth the transition from school to work. Efforts in this direction are already under way in many countries and should be emulated.

Countries need to develop and maintain individuals' employability and productivity over a lifetime. So far, however, opportunities for continuous education and training have been insufficient and only a few workers, even in the developed countries, have had access to them. Countries need to increase their investment in lifelong learning and to promote comprehensive, effective and equitable continuous training mar-

kets. In doing so, they can pursue policies that take a "voluntarist" approach – supported by compensatory mechanisms that make use of public resources – in order to ensure that large numbers of workers have access to lifelong learning. They may also take a more "regulatory" approach, with the State creating a favourable economic environment and offering incentives to encourage enterprises, organizations, individuals and training providers to invest in lifelong learning programmes.

The mitigating, social objective of education and training must be pursued with equal vigour, and as an integral part of policies that promote economic and social inclusion. These policies must, in particular, target displaced workers requiring retraining, unemployed and "at-risk" workers, women and young people.

Slow economic growth, economic restructuring and structural adjustment in many developing countries are forcing many workers into *unemployment* particularly if they have little education and few employable skills. Developed countries have generally invested heavily in labour market training for the unemployed, but many programmes have been ineffectual in reintegrating them into stable jobs. Some common features of the more successful ones are: careful targeting of training on individual needs and labour market opportunities; provision of quality training; strong links with production systems; and consultation with the concerned social partners.

Women workers need education and training to improve their labour market and income-earning prospects. They are often the most disadvantaged in society, particularly in many developing countries where large numbers live and work in poverty. Training in functional literacy, in basic business skills and in technical skills can raise women's production capabilities in small urban and rural enterprises and significantly improve their chance of improving their incomes and living conditions. The developed countries must ensure that training and other supportive measures targeted at women are implemented in the context of economic policies that boost the demand for labour in general. In the absence of such policies, women's increased employability is likely to be accompanied by depressed wages and incomes, instead of their integration into decent employment and inclusion in society.

Young workers and their employment problems have been singled out especially in this report. In the absence of sustained macroeconomic expansion, the youth problem remains serious in most countries, despite numerous youth policy initiatives and labour market programmes. The outcomes of efforts to increase young people's employability by raising their level of education and providing vocational education and work-based training in labour market programmes have been uneven. The relatively few programmes that offer high-quality training over extended periods of time have had some success in improving young people's employability and job and earnings outcomes. Most successful have been training programmes undertaken in a well-established institutional context, where the social partners are strongly committed to training young people, and where education in schools is intimately linked to enterprise- and work-based training. Countries need to determine what pattern of institutional development, in their particular context, is most likely to produce the high-quality training needed for better youth employment outcomes, and then to pursue that development on a long-term basis. In all countries, boosting aggregate labour demand can be expected to improve the youth employment situation significantly.

In all countries, major structural reforms are needed to adapt training continuously to the changing nature and dynamics of labour markets and to improve access to training for everybody throughout life. Universal access can be facilitated by exploiting

non-formal training methodologies and by establishing new guidance and skill recognition mechanisms. Policy and system reforms are given high priority in most countries. However, progress has been slow and systems have been unable to anticipate economic and social change. A growing number of people are unable to gain access to the training they need when they need it. Many countries still lack the capacity, or commitment, to move from rhetoric to practice. Without fundamental reforms, only a minority will have the skills and competencies needed for entering into the new technological, information and knowledge society, particularly in developing countries. The countries that have progressed furthest are those that have entered into social dialogue on HRD and training analysis and policy formulation.

Efficient *governance* of HRD and training is imperative and a major challenge in many countries. Meeting this challenge will depend largely on the national and subregional capacity to refocus public sector intervention and strengthen private sector participation in training. Arriving at a new culture of training calls for a new commitment by the social partners to increase investments in lifelong learning and training opportunities that are accessible to all. The proliferation of strategic partnerships in training will also have to be more systematic in order to improve its efficiency and its relevance to economic demands and social needs. Refocusing the responsibilities of the social actors in HRD and training for improved competitiveness, employability and shared prosperity should be one of the major issues addressed during the general discussion.

POINTS FOR DISCUSSION

1. In the increasingly integrated world economy and knowledge and technological society, workers' education, skills and competency profiles need to be changed and developed on a continuous basis.

— In this context, how can "employability" be defined, developed and maintained in a consensual manner by the social partners?

— What are the implications of this for the education and training of young people, for lifelong learning, and for enterprises' human resources management policies?

— How can the promotion of workers' employability guide, stimulate and increase collective and individual investment in HRD and training?

2. Governments and markets have often failed to ensure equitable access to initial training. Many people cannot access training for lack of basic education and literacy.

— What policy and practical measures can governments and the social partners implement in order to overcome basic education and literacy handicaps?

— How should training, as part of governments' economic and social policies, promote better incomes and labour market and social integration among people with special needs?

3. Despite much rhetoric about the need for continuous training, many people still lack access, particularly those with few education and skill assets and workers in the small enterprises and the informal sector.

— What public policies and incentives, and human resource management practices of enterprises, would be most conducive to improved competitiveness, greater employability and more career opportunities in internal and external labour markets?

4. New information and communications technologies and high-performance organizations offer enormous opportunities for learning and training.

— How can these opportunities be exploited in transforming education and training?

— What factors hinder the diffusion of new technologies and organizational practices for enhanced learning and training and what policies can assist in overcoming them?

5. Recognition of skills and competencies wherever they have been learned – formally or informally, at work or at home – is likely to improve the operation of labour markets, job mobility and equity in employment outcomes.

— By what measures can the social partners promote recognition of skills and competencies in the labour market and society?

6. An enhanced commitment to training on the part of the social partners and a better dialogue between them are likely to contribute to an improvement in training policy and system governance and to increased investment in lifelong learning for all.

— What are the respective roles and responsibilities of the social partners in the governance of policies and systems for effective and equitable training and employment outcomes?

— How can the capacity of the social partners for social dialogue and shared governance of training policies and systems be developed?

— What role should the international community play in promoting improved training policies and their governance?